

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001 OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NO. 1-10410

HARRAH'S ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

DELAWARE (State of Incorporation)

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

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

89119 (zip code)

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

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

TITLE OF EACH CLASS NAME OF EACH EXCHANGE ON WHICH REGISTERED

Common Stock, Par Value \$0.10 per share NEW YORK STOCK EXCHANGE CHICAGO STOCK

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. / /

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of January 31, 2002, based upon the closing price of \$38.17 for the Common Stock on the New York Stock Exchange on that date, was \$4,286,461,151.

As of January 31, 2002, the Registrant had 113,511,045 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2002 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, 2001 (the "Annual Report") are incorporated by reference into Parts I and II hereof.

PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES.

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

In July 2001, we completed the acquisition of Harveys Casino Resorts ("Harveys") for a purchase price of approximately \$661 million, including the assumption of approximately \$350 million in debt. We incurred approximately \$17 million in acquisition costs. We also assumed a \$50 million contingent liability of Harveys. This liability is contingent upon the results of a referendum to be decided by the voters of Pottwattomie County, Iowa, in November 2002. We financed the acquisition and retired Harveys assumed debt, except for the contingent, off-balance-sheet liability, with borrowings under our bank credit facilities.

Information concerning the status of expansions and improvements in our other properties during 2001 is set forth below under the heading "Casino Entertainment" where specific properties are discussed.

Operating data for the three most recent fiscal years is set forth on page 31 of the Annual Report. This information is incorporated into this document by reference.

For information on operating results and a discussion of those results, see "Management's Discussion and Analysis--Operating Results and Development Plans" on pages 18 through 29 of the Annual Report, which information is incorporated into this document by reference.

This Annual Report on Form 10-K includes "forward-looking statements"

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

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

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

2

- changes in laws or regulations, third party relations and approvals, and decisions of courts, regulators and governmental bodies;
- litigation outcomes and judicial actions, including gaming legislative action, referenda and taxation;
- abnormal gaming holds; and
- the effects of competition, including locations of competitors and operating and market competition.

Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

3

CASINO ENTERTAINMENT

GENERAL

Our casino business commenced operations in 1937. As of December 31, 2001, we owned and/or operated a total of approximately 1,458,021 square feet of casino space, 41,719 slot machines, 1,114 table games, 13,477 hotel rooms or suites, approximately 371,405 square feet of convention space, and 101 restaurants.

SUMMARY OF PROPERTY INFORMATION*

CASINO HOTEL	
CONVENTION SPACE--	
SLOT ROOMS & SPACE--	
ACRES OF PARKING	
PROPERTY SQ. FT.(1)	
MACHINES TABLE GAMES	
SUITES SQ. FT.(1)	
RESTAURANTS(2)	
LAND(1)(3) SPACES(1)	
- - - - -	
- - - - -	
- - - - -	
- - - - -	
- - - - -	
Harrah's Las Vegas...	87,700
	1,665 70 2,559
	30,860 6 17.7 2,720

Rio.....
 109,471 1,700 76
 2,548 94,540 11 89.0
 6,293 Harrah's
 Reno..... 57,000
 1,405 54 952 15,450
 6 5.1 1,141 Harrah's
 Lake
 Tahoe.....
 65,517 1,557 73 531
 18,000 6 23.0 1,952
 Harrah's
 Laughlin.... 47,000
 1,212 39 1,580
 17,000 5 44.9 2,584
 Harveys Lake
 Tahoe... 88,000
 1,973 97 740 19,000
 7 18.5 2,932 Bill's
 Lake Tahoe....
 18,000 563 14 -- --
 1 2.1 116 Harrah's
 Atlantic
 City.....
 89,757 3,171 68
 1,174(4) 26,107 6
 35.8 3,822 Atlantic
 City
 Showboat.....
 103,901 3,475 61
 800(5) 22,454 5 20.7
 3,061 Harveys
 Central
 City.....
 40,000 1,010 15 118
 2,000 1 50.0 1,460
 Harrah's
 Joliet..... 39,160
 1,138 31 204 4,747 3
 7.9 858 Harrah's
 Metropolis.....
 29,600 1,177 25
 120(6) 7,040 2 7.7
 932 Harrah's East
 Chicago.....
 49,210 2,004 65
 190(7) 4,500 3 11.0
 2,926 Harrah's
 Council
 Bluffs.....
 28,006 1,303 34 251
 14,500 4 66.0 4,975
 Harrah's
 Shreveport.....
 28,226 1,217 32 514
 18,700 4 11.2 1,805
 Harrah's Lake
 Charles.....
 41,022 1,646 50 264
 6,000 5 33.6 2,783
 Harrah's
 Tunica..... 50,000
 1,296 22 200 13,464
 4 88.0 2,708
 Harrah's
 Vicksburg... 20,879
 741 15 117 7,368 3
 10.3 996 Harrah's
 St. Louis... 120,000
 3,186 71 291 12,150
 4 214.0 4,071
 Harrah's North
 Kansas
 City.....
 60,133 2,101 45 199
 10,000 4 55.0 2,942
 Harrah's Ak
 Chin(8).....
 38,000 475 6 146
 16,150 3 20.0 930
 Harrah's Prairie

Band(8).....					
32,958	981	31	100	--	
1	80.0	750	Harrah's		
			New		
Orleans(8).....					
100,000	2,561	120	--		
10,000	2	7.3	1,880		
Harrah's Cherokee(8)					
(9).....	60,000				
2,662	--	--	1,375	3	
56.3	2,148	Bluffs			
		Run			
Casino(10).....					
35,200	1,500	--	--	--	
-	3	79.0	2,572		

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* As of December 31, 2001.

- (1) Approximate.
 - (2) Includes owned facilities and those operated by third parties.
 - (3) Owned, leased or occupied by agreement.
 - (4) Construction is underway on a 452-room hotel tower expected to be completed in the second quarter of 2002.
 - (5) Construction commenced in first quarter 2002 on a 544-room hotel tower, which is expected to open in the third quarter of 2003.
- 4
- (6) A hotel is adjacent to the Metropolis facility in which the Company owns a 12.5% special limited partnership interest.
 - (7) An additional 103 hotel rooms were completed in February 2002.
 - (8) Managed.
 - (9) 22,025 square feet of additional gaming space, 31,000 square feet of additional convention space and a 252-room hotel under construction are scheduled for completion in the second quarter of 2002. The hotel will be managed by the Company for a fee. The project also includes a new 700-space parking structure.
 - (10) The property is owned by the Company, leased to the operator, and managed by the Company for the operator for a fee pursuant to an agreement that expires in October 2024.

OWNED CASINOS

ATLANTIC CITY, NEW JERSEY

Harrah's Atlantic City is situated in the Marina area of Atlantic City. It consists of three 16-story hotel towers and adjoining low-rise buildings that house the casino space and the convention center. The facilities include an 800-seat showroom, a health club with a swimming pool, and a 63-slip marina. We also own 174 acres of predominantly wetlands in the Brigantine area and parcels totaling approximately 6.2 acres in Atlantic City outside the Marina area.

Construction is underway on a 452-room expansion at Harrah's Atlantic City, which is expected to be completed in second quarter 2002 at an estimated cost of \$113 million, which cost includes the construction of a 1,100 space valet parking garage that opened in May 2001. Construction has commenced to expand the casino floor space by 28,000 square feet and to expand a buffet area, at an estimated cost of \$80 million. The expansions of the casino floor and the buffet area are being implemented in two phases. Phase I is expected to be completed in May 2002. The completion date for Phase II has not yet been determined.

The Mardi Gras-themed Atlantic City Showboat is located on the Boardwalk in Atlantic City. Construction has commenced on a new 544-room hotel tower at the Showboat, which is expected to be completed in the third quarter of 2003 at an approximate cost of \$90 million. During 2001, we completed \$34 million in upgrades to the Showboat, including construction of two restaurants and a reconfiguration of the casino floor. The facility also has a 346-seat showroom.

Most of Harrah's Atlantic City's and Atlantic City Showboat's customers arrive by car or bus from within a 150-mile radius, which includes Philadelphia,

New York and northern New Jersey, the casinos' primary feeder markets.

LAS VEGAS, NEVADA

Harrah's Las Vegas is located on the Las Vegas Strip and consists of a 15-floor hotel tower, a 23-floor hotel tower, two 35-floor hotel towers, and adjacent low-rise buildings. Also included are the 543-seat Commander's Theatre, a 362-seat cabaret, an arcade, a health club and a heated pool.

The Rio All-Suite Hotel & Casino is situated adjacent to Interstate 15 near the heart of the Las Vegas Strip. The carnival and Mardi Gras-themed hotel and casino has three interconnected 21-story "Ipanema Towers," a 41-story "Masquerade Tower" and nine luxury Palazzo Suites in a complex adjoining the casino. In addition, the facility contains a 2,995-seat entertainment complex, a 32,000 square foot shopping area, and a 108,000 square foot outdoor entertainment area featuring a landscaped sand beach and three swimming pools. Rio also owns the Rio Secco Golf Club in nearby Henderson, Nevada, and approximately 30 acres of undeveloped land adjacent to and across Twain Avenue from the casino.

Rio also has a showroom complex that includes a 1,500-seat, state-of-the-art theater with a balcony, a three-level lobby with hospitality center, and a theater promenade with approximately 10,000

5

square feet of retail space. The showroom complex is located adjacent to the Pavilion, which is Rio's 110,000 square foot entertainment/convention complex.

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

LAKE TAHOE, NEVADA

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

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

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

The primary feeder market for these casinos is California.

RENO, NEVADA

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

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

LAUGHLIN, NEVADA

Harrah's Laughlin is located adjacent to a natural cove on the Colorado River and features a 378-seat showroom and a 3,164-seat outdoor amphitheater. Other amenities include a park for recreational vehicles, a health club, swimming pools, an arcade and retail shops. It is the only property in Laughlin with a developed beachfront on the River.

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

CENTRAL CITY, COLORADO

Harveys Wagon Wheel is situated in Central City approximately 35 miles west of Denver. In addition to the casino and hotel, amenities include an entertainment lounge and several arcades. Additionally, we own approximately 40 acres of undeveloped land adjacent to the facility.

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

JOLIET, ILLINOIS

Harrah's Joliet is a dockside casino in downtown Joliet on the Des Plaines

River. During the third quarter of 2001, the two existing riverboat casinos at Harrah's Joliet were replaced with two new dockside barges on which one completely new Harrah's casino is now located. The total cost of the replacement project was approximately \$83 million. The new casino is a Las Vegas-style casino located on a single floor.

The shoreside facilities adjacent to the casino include a pavilion featuring a lounge and a retail shop. Harrah's Joliet also has an 11-story luxury hotel with a fitness center. The hotel is located adjacent to the shoreside pavilion. We own 1.14 acres of additional land adjacent to the facility as a site for future development.

6

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

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

EAST CHICAGO, INDIANA

Harrah's East Chicago Casino is a riverboat casino operated on four different boat levels. The shoreside facilities include a pavilion. A new 293-room luxury hotel at Harrah's East Chicago was completed in February 2002 at a total cost of approximately \$48 million.

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

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

TUNICA, MISSISSIPPI

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

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

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

VICKSBURG, MISSISSIPPI

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

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

SHREVEPORT, LOUISIANA

Harrah's Shreveport is a dockside casino in downtown Shreveport comprised of a 254-foot 19th-century design paddlewheeler riverboat, the ShreveStar. A pavilion adjoins the casino on the banks of the Red River.

In first quarter 2001, a major expansion of our Shreveport facilities was completed and opened at a total cost of approximately \$143 million. The expansion includes a 514-room hotel as well as four restaurants (including a 156-seat steakhouse, a 198-seat coffee shop, a 446-seat buffet and a coffee/snack bar) and a new convention center, health spa and 437-space valet parking

The casino and related facilities are owned by a partnership that is 100% owned by the Company. The underlying land is held by the partnership under long-term leases from the City of Shreveport that expire on April 30, 2004 with eight 5-year renewal terms for the pavilion and hotel. The boat basin is subject to a lease from the State of Louisiana that expires on July 6, 2004 with three 10-year renewal terms.

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

NORTH KANSAS CITY, MISSOURI

Harrah's North Kansas City is a dockside casino located in North Kansas City. In June 2001, all of the riverboat gaming space at Harrah's North Kansas City was consolidated into a single dockside facility. The cost of this project was approximately \$46 million.

Shoreside facilities, which are situated on land that is under a long-term lease expiring on December 31, 2004 with four 5-year renewal terms, include a hotel and pavilion. Additional amenities include a swimming pool and an exercise room.

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

ST. LOUIS, MISSOURI

Harrah's St. Louis is a dockside casino complex in Maryland Heights in northwest St. Louis County, 16 miles from downtown St. Louis. Shoreside facilities include a hotel, an entertainment lounge, restaurants and retail space.

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

METROPOLIS, ILLINOIS

Harrah's Metropolis is a dockside casino located in Metropolis on the Ohio River. In third quarter 2001, this facility was completely renovated with a different riverboat and new food and beverage facilities and converted to the Harrah's brand at a total cost of approximately \$49 million. The facility includes a 350-seat showroom.

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

LAKE CHARLES, LOUISIANA

Harrah's Lake Charles is a dockside casino facility located in Lake Charles. The facility operates two riverboat casinos docked at a common site over waterbottoms subject to long-term leases from the State of Louisiana that expire on July 11, 2005 and August 27, 2005, respectively, with eight 5-year renewal terms. In fourth quarter 2001, a major renovation of this facility was completed. One of the existing riverboats was replaced with a newer riverboat and improvements were made to the hotel. The cost of this renovation was approximately \$57 million.

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

COUNCIL BLUFFS, IOWA

Harrah's Casino Hotel is a riverboat casino facility located next to the Missouri River, directly across from Omaha, Nebraska, in Council Bluffs, Iowa. Amenities in the shoreside hotel include a cabaret, a health club/spa, and a beauty salon/barber shop.

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

MANAGED CASINOS

NEW ORLEANS, LOUISIANA

The Company owns an approximate 49% beneficial ownership interest in JCC Holding Company ("JCC"), which owns the Harrah's New Orleans Casino (the

"Casino"). The Casino is managed by a subsidiary of the Company pursuant to a management agreement that expires October 28, 2018. The second floor of the Casino premises contains approximately 150,000 square feet of unfinished multipurpose non-gaming entertainment space.

For more information concerning the reorganization plan of JCC and the Company's guarantee obligations and other financial matters regarding this plan, please see the information on page 27 and pages 44 and 45 of the Company's Annual Report to shareholders, which pages are incorporated herein by reference.

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

AK-CHIN, ARIZONA

Harrah's Phoenix Ak-Chin casino is owned by the Ak-Chin Indian Community and is located on the Community's reservation, approximately 25 miles south of Phoenix. The casino includes an entertainment lounge and a retail shop. We manage the casino for a fee under a management agreement that expires in December 2004. The agreement contemplates an extension of the Community's compact with the State of Arizona, which expires in 2003.

On March 12, 2001, the Ak-Chin Indian Community opened its new 146-room resort hotel, which is managed by us for a fee under a management agreement that expires in December 2004.

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

CHEROKEE, NORTH CAROLINA

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

A 15-story, 252-room hotel and convention center and 22,025 square feet of additional casino space are under construction. The hotel will be connected to the casino via an elevated skywalk and will include 31,000 square feet of convention and conference space, as well as retail and dining space, a 700-space parking structure, a health club, and an indoor pool/spa. The hotel complex is scheduled for completion in second quarter 2002. We have guaranteed a loan in an approximate amount of \$137 million in connection with this construction project.

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

TOPEKA, KANSAS

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

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

BLUFFS RUN, IOWA

We own a casino facility in Council Bluffs that is leased to and managed by us for the Iowa West Racing Association, a nonprofit corporation. The management agreement and other rights associated with this property were acquired in connection with the Harveys acquisition and expire in October 2024. The Company receives management fees and lease income under the agreement and pursuant to these rights. The facility includes wagering on the on-site greyhound racetrack and a recreational vehicle park for 123 vehicles.

RINCON, CALIFORNIA

The Company has entered into agreements with the Rincon San Luiseno Band of Mission Indians to act as developer and manager for a casino hotel project to be built on the Band's land north of San Diego, California. In addition, the Company loaned the Band \$29,200,000 to enable it to open a temporary casino pending the development of the permanent casino. The National Indian Gaming Commission approved the Company's management agreement with the Band in 2001. The agreement expires in 2007. The permanent project, which is expected to open in the second quarter of 2002, is designed to have 45,000 square feet of gaming space and a 200-room hotel. The expected cost of \$125 million is being financed

by a bank loan guaranteed by the Company. The temporary casino opened January 11, 2001, and consists of a one-story, 35,050 square foot building with approximately 17,000 square feet of gaming space and approximately 759 slot machines.

OTHER

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

We also own a one-third interest in Turfway Park LLC, which is the owner of the Turfway Park thoroughbred race track located on 197 acres in Boone County, Kentucky. Turfway Park LLC owns a one-third interest in Kentucky Downs race track and has certain casino management rights should casino gaming be established in Kentucky. We own 47 acres of undeveloped land in the vicinity of the race track, which are currently held for sale.

PATENTS AND TRADEMARKS

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

COMPETITION

We own or manage land-based, dockside, riverboat and Indian casino facilities in most of the U.S. casino entertainment jurisdictions. We compete with numerous casinos and casino hotels of varying quality and size in the market areas where our properties are located. We also compete with other

10

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

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

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

We believe we are well positioned to take advantage of any further legalization of casino gaming, the continued positive consumer acceptance of casino gaming as an entertainment activity, and increased visitation to casino

facilities. However, the expansion of casino entertainment into new markets also presents competitive issues for us. For example, in October 2001, the legislature of the State of New York approved a bill authorizing six new tribal casinos in that state. The measure allows the Governor of New York to negotiate gaming compacts with American Indian tribes to operate three casinos in the Catskill Mountains and three casinos in western New York. Also, in September 1999, the State of California and approximately 60 Indian Tribes executed Class III Gaming compacts, which other California tribes can join. The compacts, which allow each tribe to operate, on tribal trust lands, two casinos with up to 2,000 slot machines per tribe and unlimited house-banked card games, were the subject of an amendment to the state's constitution approved in a statewide referendum on March 7, 2000. At this time, the ultimate impact that the New York legislation and the California referendum may have on the industry and on our Company is uncertain.

Moreover, the casino entertainment industry is subject to political and regulatory uncertainty. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations--Effects of Current Economic and Political Conditions" on pages 27 and 28 and portions of "Management's Discussion and Analysis--Operating Results" and "--Regional Results and Development Plans" on pages 18 through 25 of the Annual Report, which information is incorporated into this document by reference.

11

GOVERNMENTAL REGULATION

GAMING REGULATION

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

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

OTHER REGULATIONS

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

EMPLOYEE RELATIONS

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

Our subsidiaries have collective bargaining agreements covering approximately 4,200 employees. These agreements relate to certain casino, hotel and restaurant employees at Harrah's Atlantic City, Harrah's Las Vegas, Harrah's East Chicago and Showboat Atlantic City.

ITEM 3. LEGAL PROCEEDINGS.

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

12

PART II

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

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

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

Quarter	HIGH	LOW	2001	First
Quarter	33.24	23.44	Second	
Quarter	38.29	27.50	Third	
Quarter	36.02	22.00	Fourth	
Quarter	37.51	25.02	2000	First
Quarter	26.5625	17.000	Second	
Quarter	23.5625	17.125	Third	
Quarter	30.0625	21.125	Fourth	
Quarter	29.1875	23.000		

The approximate number of holders of record of our Common Stock as of January 31, 2002, was 9,986.

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

ITEM 6. SELECTED FINANCIAL DATA.

See the information for the years 1997 through 2001 set forth under "Financial and Statistical Highlights" on page 17 of the Annual Report, which information is incorporated herein by reference.

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

See the information set forth on pages 18 through 29 of the Annual Report, which information is incorporated herein by reference.

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

We are exposed to market risk, primarily changes in interest rates. We do not currently hold or issue derivative financial instruments for trading purposes and do not enter into derivative transactions that would be considered speculative positions. We attempt to limit our exposure to interest rate risk by managing the mix of our debt between fixed rate and variable rate obligations. Of our approximate \$3.8 billion total debt at December 31, 2001, \$1.4 billion is subject to variable interest rates, which averaged 4.0% at December 31, 2001. Assuming a constant outstanding balance for our variable rate debt for the next twelve months, a hypothetical 1% increase in interest rates would increase interest expense for the next twelve months by approximately \$13.8 million.

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

FAIR	2002	2003	2004	2005	2006
THEREAFTER	TOTAL	VALUE(1)	-----		

----- (DOLLARS IN MILLIONS)					
LIABILITIES Short-term debt					
Variable					
rate				
	\$31.0	\$ -	\$ -	\$ -	\$ -
	31.0	\$ 31.0	Average	interest	
rate	3.0%	-%	-%	-%
	-%	-%	3.0%	Long-term	debt
Fixed					
rate				
	\$ 1.6	\$1.7	\$ 1.5	\$751.7	\$1.7

	\$1,582.8	\$2,341.0	\$2,446.1		
	Average interest				
rate.....	7.6%	7.4%			
	7.4%	7.9%	7.3%	7.5%	7.6%
	Variable				
rate.....	\$				
	- \$	- \$1,380.0	\$	- \$	- \$
	\$1,380.0	\$1,380.0	Average		
interest rate.....	-%				
	-%	4.1%	-%	-%	4.1%

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

Our long-term variable rate debt reflects borrowings under revolving credit and letter of credit facilities provided to us by a consortium of banks with a total capacity of \$1.853 billion. The interest rates charged on borrowings under these facilities are a function of the London Inter-Bank Offered Rate, or LIBOR. As such, the interest rates charged to us for borrowings under the facilities are subject to change as LIBOR changes.

Foreign currency translation gains and losses were not material to our results of operations for the year ended December 31, 2001. We sold our management contract for a casino in a foreign country in January 2000. As a result of this transaction, we no longer have any ownership interests in businesses in foreign countries. Accordingly, we are not currently subject to material foreign currency exchange rate risk from the effects that exchange rate movements of foreign currencies would have on our future operating results or cash flows.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See the information set forth on pages 30 through 47 of the Annual Report, which information is incorporated herein by reference.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS.

DIRECTORS

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

EXECUTIVE OFFICERS

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

----- Philip G.
Satre (52).....
Director since 1990,
Chairman of the Board
since January 1997, and
Chief Executive Officer
since April 1994. Member
of three-executive
Office of the President
(1999-2001), President

(1991-1999) and Chief Operating Officer (1991-1994). President (1984-1995) of Harrah's Gaming Group. He is also a director of TABCORP Holdings Limited, an Australia public company in the leisure and entertainment business, JDN Realty Corporation, a real estate development and asset management company, and JCC Holding Company, a casino entertainment company. On January 4, 2001, JCC Holding Company filed a petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code. On March 29, 2001, the effective date of its plan of reorganization, JCC Holding Company emerged from bankruptcy.

Gary W. Loveman

(41).....

Director since 2000; President since April 2001; Chief Operating Officer since May 1998; member of the three-executive Office of the President from May 1999 to April 2001; Executive Vice President of Harrah's Entertainment from May 1998 to May 1999. Mr. Loveman was Associate Professor of Business Administration, Harvard University Graduate School of Business Administration from 1994 to 1998, where his responsibilities included teaching MBA and executive education students, research and publishing in the field of service management, and consulting and advising large service companies. He is also a director of Coach, Inc., a designer and marketer of high quality handbags and women's and men's accessories, and Ventas, Inc., a healthcare real estate investment trust.

Charles L. Atwood

(53).....

Senior Vice President and Chief Financial Officer since April 2001. Treasurer since October 1996. Vice President from October 1996 to April 2001. John M. Boushy

(47).....

Senior Vice President, Operations Products & Services and Chief Information Officer since February 2001, Senior Vice President Brand Operations and

Information Technology from 1999 to 2001, Senior Vice President Information Technology and Marketing Services from 1993 to 1999. Stephen H. Brammell (44)..... Senior Vice President and General Counsel since July 1999. Secretary from May 2000 to February 2001. Vice President and Associate General Counsel from 1997 to 1999. Associate General Counsel from 1993 to 1997. Janis L. Jones

(52)..... Senior Vice President, Communications/Government Relations since November 1999. Mayor of Las Vegas, Nevada, from 1991 to 1999. Richard E. Mirman (36)..... Senior Vice President, Marketing since April 2000 and Vice President, Relationship Marketing from 1998 to 2000. Consultant in the financial and health services group for Booz-Allen & Hamilton, New York, a management and technology consulting firm, from 1994 to 1998.

Marilyn G. Winn (49)..... Senior Vice President, Human Resources since May 1999. Senior Vice President and General Manager of Harrah's Shreveport from 1997 to 1999. Director of Slot Operations of Harrah's Las Vegas from 1995 to 1997.

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 2001 and December 31, 2001 Option Values" and "Certain Employment Arrangements", which sections are incorporated herein by reference.

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

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

See the information set forth in the section of the Proxy Statement entitled "Certain Relationships and Related 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 of the Company (including related notes to consolidated financial statements)* filed as part of this report are listed

below:

Report of Independent Public Accountants.

Consolidated Balance Sheets as of December 31, 2001 and 2000.

Consolidated Statements of Operations for the Years Ended
December 31, 2001, 2000 and 1999.

Consolidated Statements of Stockholders' Equity and Comprehensive
Income (Loss) for the Years Ended December 31, 2001, 2000 and
1999.

Consolidated Statements of Cash Flows for the Years Ended
December 31, 2001, 2000 and 1999.

2. Schedules for the years ended December 31, 2001, 2000 and 1999, are
as follows:

No. - --- I
--

Condensed
financial
information
of
registrant
II --

Consolidated
valuation
and

qualifying
accounts

Schedules
III, IV,
and V are
not

applicable
and have
therefore
been
omitted.

- - - - -

* Incorporated by reference from pages 30 through 47 of the Annual Report.

16

4. Exhibits

NO. - - - - -

2(1) Stock
Purchase
Agreement
dated as of
April 24,
2001 by and
among
Harrah's
Entertainment,
Inc., Colony
HCR Voteco,
LLC, Colony
Investors
III, L.P.,
and Harveys
Casino
Resorts.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
13, 2001,
File No. 1-
10410.) 3(1)

Certificate
of
Incorporation
of The Promus
Companies
Companies
Incorporated;
Certificate
of Amendment
of
Certificate
of
Incorporation
of The Promus
Companies
Companies
Incorporated
dated April
29, 1994;
Certificate
of Amendment
of
Certificate
of
Incorporation
of The Promus
Companies
Companies
Incorporated
dated May 26,
1995; and
Certificate
of Amendment
of
Certificate
of
Incorporation
of The Promus
Companies
Companies
Incorporated
dated June
30, 1995,
changing its
name to
Harrah's
Entertainment,
Inc.
(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended
December 31,
1995, filed
March 6,
1996, File
No. 1-10410.)
**3(2) Bylaws
of Harrah's
Entertainment,
Inc., as
amended May
2, 2001. 4(1)
Rights
Agreement
dated as of
October 5,
1996, between
Harrah's
Entertainment,
Inc. and The
Bank of New
York, which
includes the
form of
Certificate
of
Designations
of Series A
Special Stock

of Harrah's
Entertainment,
Inc. as
Exhibit A,
the form of
Right
Certificate
as Exhibit B
and the
Summary of
Rights to
Purchase
Special
Shares as
Exhibit C.

(Incorporated
by reference
from the
Company's
Current
Report on
Form 8-K,
filed August
9, 1996, File
No. 1-10410.)

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

(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended

December 31,
1996, filed
March 11,
1997, File
No. 1-10410.)

4(3) Second
Amendment,
dated as of
April 25,
1997, to
Rights
Agreement,
dated as of
October 25,
1996, between
Harrah's

Entertainment,
Inc. and The
Bank of New
York.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q for
the quarter
ended March

31, 1997,
filed May 13,
1997, File
No. 1-10410.)

4(4) Letter

to
Stockholders
dated July
23, 1997
regarding
Summary of
Rights To
Purchase
Special
Shares As
Amended
Through April
25, 1997.
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q for
the quarter
ended June
30, 1997,
filed August
13, 1997,
File No. 1-
10410.) 4(5)
Certificate
of
Elimination
of Series B
Special Stock
of Harrah's
Entertainment,
Inc., dated
February 21,
1997.
(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended
December 31,
1996, filed
March 11,
1997, File
No. 1-10410.)
4(6)
Certificate
of
Designations
of Series A
Special Stock
of Harrah's
Entertainment,
Inc., dated
February 21,
1997.
(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended
December 31,
1996, filed
March 11,
1997, File
No. 1-10410.)
10(1) Five
Year Loan
Agreement
dated as of
April 30,

1999 among
Harrah's
Entertainment,
Inc., as
Guarantor,
Harrah's
Operating
Company, Inc.
and Marina
Associates,
as Borrowers,
The Lenders,
Syndication
Agent,
Document
Agents and
Co-
Documentation
Agents and
Bank of
America
National
Trust and
Savings
Association,
as
Administrative
Agent.
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
12, 1999,
File No. 1-
10410.)

NO. - -----

10(2) First
Amendment,
dated as of
April 3,
2000, to the
Five Year
Loan
Agreement
among
Harrah's
Entertainment,
Inc., as
Guarantor,
Harrah's
Operating
Company, Inc.
and Marina
Associates,
as Borrowers,
The Lenders,
Syndication
Agent,
Document
Agents and
Co-
Documentation
Agents and
Bank of
America
National
Trust and
Savings
Association,
as
Administrative

Agent.
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
14, 2000,
Filed No. 1-
10410.) 10(3)
Form of
Second
Amendment,
dated as of
April 26,
2001, to the
Five year
Loan
Agreement
among
Harrah's
Entertainment,
Inc. as
Guarantor,
Harrah's
Operating
Company, Inc.
and Marina
Associates,
as Borrowers,
The Lenders,
Syndication
Agent,
Document
Agents and
Co-
Documentation
Agents and
Bank of
America
National
Trust and
Savings
Association
(now known as
Bank of
America,
N.A., as
Administrative
Agent.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
13, 2001,
File No. 1-
10410.) 10(4)
Form of
Amended and
Restated 364-
Day Loan
Agreement
dated as of
April 26,
2001 among
Harrah's
Entertainment,
Inc. as
Guarantor,
Harrah's
Operating
Company, Inc.
and Marina
Associates,
as Borrowers,

The Lenders,
Syndication
Agent,
Documentation
Agents and
Bank of
America,
N.A., as
Administrative
Agent
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
13, 2001,
File No. 1-
10410.) 10(5)
First
Amendment,
dated as of
April 3,
2000, to the
364 Day
Credit
Agreement
among
Harrah's
Entertainment,
Inc., as
Guarantor,
Harrah's
Operating
Company, Inc.
and Marina
Associates,
and Red River
Entertainment
of
Shreveport,
Partnership
in Commendam,
as Borrowers,
The Lenders,
Syndication
Agent,
Document
Agents and
Co-
Documentation
Agents and
Bank of
America
National
Trust and
Savings
Association,
as
Administrative
Agent;
Request for
Extension to
the Short
Term Loan
Agreement
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
14, 2000,
Filed No. 1-
10410.) 10(6)
Form of
Guaranty and

Loan Purchase Agreement dated as of May 1, 2001 made by Harrah's Entertainment, Inc., Harrah's Operating Company, Inc. and Harrah's NC Casino Company, LLC, as Guarantors. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 9, 2001, File No. 1-10410.) 10(7) Form of Put Agreement made and entered into as of July 11, 2001 by and among Harrah's Entertainment, Inc., Harrah's Operating Company, Inc. and HCAL Corporation (collectively, the "Purchasers") and Wells Fargo Bank, National Association, as Administrative Agent. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 9, 2001, File No. 1-10410.) 10(8) Indenture, dated as of December 9, 1998, among Harrah's Operating Company, Inc. as Issuer, Harrah's Entertainment, Inc., as Guarantor and IBJ Schroder Bank & Trust Company, as Trustee relating to

the 7 7/8%
Senior
Subordinated
Notes Due
2005.
(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended
December 31,
1998, filed
March 19,
1999, File
No. 1-10410.)
10(9)
Indenture,
dated as of
December 18,
1998, among
Harrah's
Operating
Company, Inc.
as obligor,
Harrah's
Entertainment,
Inc., as
Guarantor,
and IBJ
Schroder Bank
& Trust
Company, as
Trustee
relating to
the 7 1/2%
Senior Notes
Due 2009.
(Incorporated
by reference
from the
Company's
Registration
Statement on
Form S-3 of
Harrah's
Entertainment,
Inc. and
Harrah's
Operating
Company,
Inc., File
No. 333-
69263, filed
December 18,
1998.)

NO. - -----

10(10)
Indenture,
dated as of
January 29,
2001, between
Harrah's
Operating
Company, Inc.,
as Issuer,
Harrah's
Entertainment,
Inc., as
Guarantor, and
Bank One Trust
Company, N.A.,

as Trustee,
relating to the
8.0% Senior
Notes Due 2011.
(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
filed on March
28, 2001, File
No. 1-10410.)
10(11)

Indenture,
dated as of
June 14, 2001,
between
Harrah's
Operating
Company, Inc.,
as Issuer,
Harrah's
Entertainment,
Inc., as
Guarantor, and
Firststar Bank,
N.A., as
Trustee,

relating to the
7 1/8% Senior
Notes due 2007.
(Incorporated
by reference

from the
Company's
Registration
Statement on
Form S-4 of
Harrah's
Entertainment,
Inc. and
Harrah's
Operating
Company, Inc.,
File No. 333-
68360, filed
August 24,
2001.) 10(12)

Registration
Rights
Agreement,
dated January
29, 2001 among
Harrah's
Operating
Company, Inc.,
Harrah's
Entertainment,
Inc., as
Guarantor, and
Salomon Smith
Barney, Inc.,
on behalf of
the Initial
Purchasers,

relating to the
8.00% Senior
Notes Due 2011.
(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
filed on March
28, 2001, File
No. 1-10410.)
10(13)

Registration
Rights

Agreement,
dated June 14,
2001 among
Harrah's
Operating
Company, Inc.,
Harrah's
Entertainment,
Inc., as
Guarantor, and
Salomon Smith
Barney, Inc.,
on behalf of
the Initial
Purchasers,
relating to the
7 1/8% Senior
Notes due 2007.
(Incorporated
by reference
from the
Company's
Registration
Statement on
Form S-4 of
Harrah's
Entertainment,
Inc. and
Harrah's
Operating
Company, Inc.,
File No. 333-
68360, filed
August 24,
2001.) 10(14)
Issuing and
Paying Agent
Agreement,
dated as of May
19, 2000, among
Harrah's
Operating
Company, Inc.,
as Issuer,
Harrah's
Entertainment,
Inc., as
Guarantor, and
Bank One,
National
Association, as
issuing and
paying agent;
Corporate
Commercial
Paper Master
Note in favor
of Cede & Co.,
as nominee of
The Depository
Trust Company,
by Harrah's
Operating
Company, Inc.,
as Issuer, and
Bank One, N.A.,
as Paying
Agent.
(Incorporated
by reference
from the
Company's
Quarterly
Report on Form
10-Q filed
August 14,
2000, File No.
1-10410.)
10(15)
Commercial
Paper Dealer

Agreement,
dated as of May
3, 2000, among
Harrah's
Operating
Company, Inc.,
as Issuer,
Harrah's
Entertainment,
Inc., as
Guarantor, and
Banc of America
Securities LLC,
as Dealer.

(Incorporated
by reference
from the
Company's
Quarterly
Report on Form
10-Q filed
August 14,
2000, File No.
1-10410.)
10(16)

Commercial
Paper Dealer
Agreement,
dated as of May
3, 2000, among
Harrah's
Operating
Company, Inc.,
as Issuer,
Harrah's
Entertainment,
Inc., as
Guarantor, and
Credit Suisse
First Boston
Corporation, as
Dealer.

(Incorporated
by reference
from the
Company's
Quarterly
Report on Form
10-Q filed
August 14,
2000, File No.
1-10410.)
10(17) Tax

Sharing
Agreement,
dated June 30,
1995, between
The Promus
Companies
Incorporated
and Promus
Hotel
Corporation.

(Incorporated
by reference
from the
Company's
Quarterly
Report on Form
10-Q for the
quarter ended
June 30, 1995,
filed August
14, 1995, File
No. 1-10410.)
+10(18) Form of

Indemnification
Agreement
entered into by
The Promus
Companies

Incorporated
and each of its
directors and
executive
officers.
(Incorporated
by reference
from the
Company's
Registration
Statement on
Form 10, File
No. 1-10410,
filed on
December 13,
1989.) +10(19)
Financial
Counseling Plan
of Harrah's
Entertainment,
Inc. as amended
January 1996.
(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the fiscal
year ended
December 31,
1995, filed
March 6, 1996,
File No. 1-
10410.)

19

NO. - -----

+10(20) The
Promus
Companies
Incorporated
1996 Non-
Management
Director's
Stock
Incentive
Plan dated
April 5,
1995.
(Incorporated
by reference
from the
Company's
Proxy
Statement for
the May 26,
1995 Annual
Meeting of
Stockholders,
filed April
25, 1995.)
+10(21)
Amendment
dated
February 20,
1997 to 1996
Non-
Management
Director's
Stock
Incentive
Plan.
(Incorporated
by reference
from the
Company's

Quarterly
Report on
Form 10-Q for
the quarter
ended March
31, 1997,
filed May 13,
1997, File
No. 1-10410.)

+10(22)

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

(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
filed on
March 28,
2001, File
No. 1-10410.)

+10(23)

Description
of Amendments
to Benefits
for Non-
Management
Directors,
effective
February 21,
2001.

(Incorporated
by reference
from page 11
of the
Company's
Proxy

Statement for
the May 3,
2001 Annual
Meeting of
Shareholders,
filed March
27, 2001.)

+10(24) The
Promus
Companies
Incorporated
Key Executive
Officer
Annual

Incentive
Plan dated
February 24,
1995.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q for
the quarter
ended June
30, 1995,
filed August
14, 1995,
File No. 1-
10410.)

+10(25)

Summary Plan
Description
of Executive
Term Life
Insurance
Plan.

(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended

December 31,
1996, filed
March 11,
1997, File

No. 1-10410.)
+10(26)

Description
of Executive
Life
Insurance
Plan

effective
September 1,
2001.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed

November 9,
2001, File

No. 1-10410.)
+10(27)

Executive
Supplemental
Savings Plan
dated

February 21,
2001.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed May 11,
2001, File

No. 1-10410.)
+10(28) First

Amendment,
dated May 2,
2001, to the
Executive
Supplemental
Savings Plan.

(Incorporated
by reference

from the
Company's
Quarterly
Report on
Form 10-Q
filed August

13, 2001,

File No. 1-
10410.)

+10(29) 2001
Restatement

of the
Harrah's

Entertainment,
Inc.

Executive Supplemental Savings Plan, amended and restated effective April 1, 2001.

(Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 9, 2001, File No. 1-10410.)

**+10(30)
Second Amendment to the 2001 Restatement of the Harrah's Entertainment, Inc.

Executive Supplemental Savings Plan approved November 13, 2001. +10(31)

Form of Agreement, dated October 30, 1996, regarding cancellation and reissue of stock options, entered into with Philip G. Satre, Colin V. Reed, and John M.

Boushy; and Form of Reissued Stock Option.

(Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended

December 31, 1996, filed March 11, 1997, File No. 1-10410.) +10(32)

Employment Agreement dated as of January 1, 1999, between Harrah's Entertainment, Inc. and Philip G. Satre.

(Incorporated by reference from the

Company's
Annual Report
on Form 10-K
for the
fiscal year
ended
December 31,
1999, filed
March 13,
2000, File
No. 1-10410.)
+10(33)
Amended and
Restated
Severance
Agreement
dated as of
October 31,
1997 entered
into with
Philip G.
Satre.
(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended
December 31,
1997, filed
March 10,
1998, File
No. 1-10410.)

20

NO. - -----

+10(34)
Severance
Agreement
dated October
29, 1998
entered into
with Philip
G. Satre.
(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended
December 31,
1998, filed
March 19,
1999, File
No. 1-10410.)
+10(35)
Amendment,
dated as of
May 9, 2001,
to Deferred
Compensation
Agreement
dated October
1, 1986,
between
Philip G.
Satre and
Harrah's
Operating
Company, Inc.
successor to

Harrah's
Club, as
amended
January 1,
1987 and
December 13,
1993.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
13, 2001,
File No. 1-
10410.)
+10(36)

Employment
Agreement and
Addendum
dated May 4,
1998, between
Harrah's
Entertainment,
Inc. and Gary
W. Loveman.

(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended

December 31,
1998, filed
March 19,
1999, File
No. 1-10410.)
+10(37)

Amendment to
Employment
Agreement
dated April
26, 2000,
between
Harrah's

Entertainment,
Inc. and Gary
W. Loveman.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
14, 2000,
File No. 1-
10410.)
+10(38)

Amendment to
Employment
Agreement
dated

February 21,
2001, between
Harrah's
Operating
Company, Inc.
and Gary W.
Loveman.

(Incorporated
by reference
from the
Company's
Quarterly

Report on
Form 10-Q
filed May 11,
2001, File
No. 1-10410.)
+10(39)

Severance
Agreement
dated October
29, 1998
entered into
with Gary W.
Loveman.

(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended

December 31,
1998, filed
March 19,
1999, File
No. 1-10410.)
+10(40)

Amendment to
Severance
Agreement
dated April
26, 2000,
between
Harrah's

Entertainment,
Inc. and Gary
W. Loveman.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
14, 2000,
File No. 1-
10410.)
+10(41)

Description
of Terms of
Stock Option
and TARSAP
grants for
Gary W.
Loveman on
April 30,
1998.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q for
the quarter
ended June
30, 1998,
filed August
7, 1998, File
No. 1-10410.)
+10(42)

Description
of Terms of
Amendment to
TARSAP grants
for Gary W.
Loveman on
November 11,
1999.

(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended

December 31,
1999, filed
March 13,
2000, File

No. 1-10410.)

**+10(43)

Employment
Agreement
dated June
22, 2001

between

Harrah's
Operating
Company, Inc.

and Charles
Atwood.

+10(44)

Severance
Agreement
dated April
23, 2001

between

Harrah's
Entertainment,
Inc. and

Charles L.

Atwood.

(Incorporated

by reference

from the

Company's

Quarterly

Report on

Form 10-Q

filed August

13, 2001,

File No. 1-

10410.)

+10(45) Form

of Employment

Agreement

dated April

1, 1998,

between

Harrah's

Entertainment,

Inc. and John

M. Boushy.

(Incorporated

by reference

from the

Company's

Annual Report

on Form 10-K

for the

fiscal year

ended

December 31,

1998, filed

March 19,

1999, File

No. 1-10410.)

+10(46)

Addendum

dated April

1, 1998, to

Employment

Agreement

between

Harrah's

Entertainment,
Inc. and John

M. Boushy.
(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended
December 31,
1998, filed
March 19,
1999, File
No. 1-10410.)

21

NO. - -----

+10(47)
Amendment to
Employment
Agreement,
dated August
2, 2000,
between
Harrah's
Operating
Company, Inc.
and John M.
Boushy.
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed
November 13,
2000, File
No. 1-10410.)

+10(48)
Amendment to
Employment
Agreement,
dated April
30, 2001,
between
Harrah's
Operating
Company, Inc.
and John M.
Boushy.
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
13, 2001,
File No. 1-
10410.)

+10(49) Form
of Amended
and Restated
Severance
Agreement
dated as of
October 31,
1997 entered
into with
John M.
Boushy.
(Incorporated
by reference

from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended
December 31,
1997, filed
March 10,
1998, File
No. 1-10410.)
+10(50) Form
of Severance
Agreement
dated October
29, 1998
entered into
with John M.
Boushy.
(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended
December 31,
1997, filed
March 10,
1998, File
No. 1-10410.)
+10(51)
Employment
Agreement
dated July
30, 1999,
between
Harrah's
Operating
Company, Inc.
and Stephen
H. Brammell.
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed
November 12,
1999, File
No. 1-10410.)
+10(52)
Amendment to
Employment
Agreement
dated August
2, 2000,
between
Harrah's
Operating
Company, Inc.
and Stephen
H. Brammell.
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed
November 13,
2000, File
No. 1-10410.)
+10(53)
Severance

Agreement
dated July
30, 1999,
between
Harrah's
Entertainment,
Inc. and
Stephen H.
Brammell.
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed

November 12,
1999, File
No. 1-10410.)
+10(54)

Employment
Agreement
dated

November 1,
1999, between
Harrah's
Operating
Company, Inc.
and Janis L.
Jones.

(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended

December 31,
1999, filed
March 13,
2000, File
No. 1-10410.)
+10(55)

Amendment to
Employment
Agreement,
dated August
2, 2000,
between
Harrah's
Operating
Company, Inc.
and Janis L.
Jones.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed

November 13,
2000, File
No. 1-10410.)
+10(56)

Severance
Agreement
dated

November 1,
1999, between
Harrah's
Entertainment,
Inc. and
Janis L.
Jones.

(Incorporated
by reference

from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended
December 31,
1999, filed
March 13,
2000, File
No. 1-10410.)
+10(57)
Employment
Agreement,
dated August
25, 2000,
between
Harrah's
Operating
Company, Inc.
and Richard
E. Mirman.
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed
November 13,
2000, File
No. 1-10410.)
+10(58)
Severance
Agreement,
dated April
27, 2000,
between
Harrah's
Entertainment,
Inc. and
Richard
Mirman.
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
14, 2000,
File No. 1-
10410.)
+10(59)
Employment
Agreement
dated May
7, 1999,
between
Harrah's
Operating
Company, Inc.
and Marilyn
G. Winn.
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
12, 1999,
File No. 1-
10410.)
+10(60)
Amendment to
Employment

Agreement,
dated August
2, 2000,
between
Harrah's
Operating
Company, Inc.
and Marilyn
G. Winn.
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed
November 13,
2000, File
No. 1-10410.)

22

NO. - -----

+10(61)
Severance
Agreement
dated May 7,
1999, between
Harrah's
Entertainment,
Inc. and
Marilyn G.
Winn.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
12, 1999,
File No. 1-
10410.)

+10(62) The
Promus
Companies
Incorporated
1990 Stock
Option Plan,
as amended
July 29,
1994.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q for
the quarter
ended June
30, 1994,
filed August
11, 1994,
File No. 1-
10410.)

+10(63)
Amendment,
dated April
5, 1995, to
The Promus
Companies
Incorporated
1990 Stock
Option Plan
as adjusted

on December
12, 1996.
(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended
December 31,
1996, filed
March 11,
1997, File
No. 1-10410.)
+10(64)
Amendment,
dated
February 26,
1998, to the
Harrah's
Entertainment,
Inc. 1990
Stock Option
Plan.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q for
the quarter
ended March
30, 1998,
filed May 14,
1998, File
No. 1-10410.)
+10(65)
Amendment,
dated April
30, 1998, to
the Harrah's
Entertainment,
Inc. 1990
Stock Option
Plan.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q for
the quarter
ended June
30, 1998,
filed August
7, 1998, File
No. 1-10410.)
+10(66)
Amendment,
dated October
29, 1998, to
the Harrah's
Entertainment,
Inc. 1990
Stock Option
Plan.

(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended
December 31,
1998, filed

March 19,
1999, File
No. 1-10410.)
+10(67) The
Promus
Companies
Incorporated
1990
Restricted
Stock Plan.
(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended
December 29,
1989, filed
March 28,
1990, File
No. 1-10410.)
+10(68)
Amendment,
dated April
5, 1995, to
The Promus
Companies
Incorporated
1990
Restricted
Stock Plan.
(Incorporated
by reference
from the
Company's
Proxy
Statement for
the May 26,
1995 Annual
Meeting of
Stockholders,
filed April
25, 1995.)
+10(69)
Amendment,
dated
February 26,
1998, to the
Harrah's
Entertainment,
Inc. 1990
Restricted
Stock Plan.
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q for
the quarter
ended March
30, 1998,
filed May 14,
1998, File
No. 1-10410.)
+10(70)
Amendment,
dated April
30, 1998, to
the Harrah's
Entertainment,
Inc. 1990
Restricted
Stock Plan.
(Incorporated
by reference
from the

Company's
Quarterly
Report on
Form 10-Q for
the quarter
ended June
30, 1998,
filed August
7, 1998, File
No. 1-10410.)

+10(71)

Amendment,
dated October
29, 1998, to
the Harrah's
Entertainment,
Inc. 1990

Restricted
Stock Plan.
(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended

December 31,
1998, filed
March 19,
1999, File
No. 1-10410.)

+10(72)

Administrative
Regulations,
Long Term
Compensation
Plan

(Restricted
Stock Plan
and Stock
Option Plan)
dated October
27, 1995.

(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended

December 31,
1995, filed
March 6,
1996, File
No. 1-10410.)

+10(73)

Amendment to
Administrative
Regulations,
Long Term
Compensation
Plan

(Restricted
Stock Plan
and Stock
Option Plan)
dated

December 12,
1996.

(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year

ended
December 31,
1996, filed
March 11,
1997, File
No. 1-10410.)

23

NO. - -----

+10(74)
Administrative
Regulations,
effective
July 25,
2001, of the
Harrah's
Entertainment,
Inc. Long-
Term
Compensation
Plan.
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed
November 9,
2001, File
No. 1-10410.)

+10(75)
Deferred
Compensation
Plan dated
October 16,
1991.
(Incorporated
by reference
from
Amendment No.
2 to the
Company's and
Embassy's
Registration
Statement on
Form S-1,
File No. 33-
43748, filed
March 18,
1992.)

+10(76)
Amendment,
dated May 26,
1995, to The
Promus
Companies
Incorporated
Deferred
Compensation
Plan.
(Incorporated
by reference
from the
Company's
Current
Report on
Form 8-K,
filed June
15, 1995,
File No. 1-
10410.)
+10(77)
Amendment
dated April
24, 1997, to

Harrah's
Entertainment,
Inc.'s
Deferred
Compensation
Plan.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q for
the quarter
ended June
30, 1997,
filed August
13, 1997,
File No. 1-
10410.)

+10(78)
Amendment
dated as of
November 15,
2000 to the
Harrah's
Entertainment,
Inc. Deferred
Compensation
Plan.

(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
filed on
March 28,
2001, File
No. 1-10410.)

+10(79)
Amended and
Restated
Executive
Deferred
Compensation
Plan dated as
of October
27, 1995.

(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended
December 31,
1995, filed
March 6,
1996, File
No. 1-10410.)

+10(80)
Amendment
dated April
24, 1997 to
Harrah's
Entertainment,
Inc.'s
Executive
Deferred
Compensation
Plan.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q for

the quarter
ended June
30, 1997,
filed August
13, 1997,
File No. 1-
10410.)
+10(81)
Amendment
dated April
30, 1998 to
the Harrah's
Entertainment,
Inc.

Executive
Deferred
Compensation
Plan.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q for
the quarter
ended June
30, 1998,
filed August
7, 1998, File
No. 1-10410.)

+10(82)

Amendment
dated October
29, 1998 to
the Harrah's
Entertainment,
Inc.

Executive
Deferred
Compensation
Plan.

(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended

December 31,
1998, filed
March 19,
1999, File
No. 1-10410.)

+10(83)

Description
of Amendments
to Executive
Deferred
Compensation
Plan.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q for
the quarter
ended

September 30,
1997, filed
November 13,
1997, File
No. 1-10410.)

+10(84)

Restated
Amendment,
dated July

18, 1996, to
Harrah's
Entertainment,
Inc.

Executive
Deferred
Compensation
Plan.

(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended

December 31,
1996, filed
March 11,
1997, File
No. 1-10410.)
+10(85)

Amendment
dated as of
November 15,
2000 to the
Harrah's
Entertainment,
Inc.

Executive
Deferred
Compensation
Plan.

(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
filed on
March 28,
2001, File
No. 1-10410.)
+10(86)

Amendment
dated as of
February 21,
2001 to the
Harrah's
Entertainment,
Inc.

Executive
Deferred
Compensation
Plan.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed May 11,
2001, File
No. 1-10410.)
+10(87)

Letter
Agreement
with Wells
Fargo Bank
Minnesota,
N.A., dated
August 31,
2000,

concerning
appointment
as Escrow
Agent under
Escrow
Agreement for

deferred
compensation
plans.
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed
November 13,
2000, File
No. 1-10410.)

24

NO. - -----

+10(88)
Amendment to
Escrow
Agreement,
dated April
26, 2000,
between
Harrah's
Entertainment,
Inc. and
Wells Fargo
Bank
Minnesota,
N.A.,
Successor to
Bank of
America, N.A.
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed
November 13,
2000, File
No. 1-10410.)

10(89) Trust
Agreement
dated June
20, 2001 by
and between
Harrah's
Entertainment,
Inc. (the
"Company")
and Wells
Fargo Bank
Minnesota,
N.A. (the
"Trustee").
(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed
November 9,
2001, File
No. 1-10410.)

+10(90) Time
Accelerated
Restricted
Stock Award
Plan
("TARSAP")
program dated

December 12,
1996.

(Incorporated
by reference
from the
Company's
Annual Report
on Form 10-K
for the
fiscal year
ended

December 31,
1996, filed
March 11,
1997, File
No. 1-10410.)
+10(91)

Amendment to
Harrah's
Entertainment,
Inc. 1990
Stock Option
Plan.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
12, 1999,
File No. 1-
10410.)
+10(92)

Amendment to
Harrah's
Entertainment,
Inc. 1990
Stock Option
Plan, dated
as of
February 23,
2000.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
14, 2000,
File No. 1-
10410.)
+10(93)

Harrah's
Entertainment,
Inc. Senior
Executive
Incentive
Plan approved
by the
Stockholders
on April 27,
2000,
following
approval by
the Company's
Human
Resources
Committee of
the Board of
Directors on
February 23,
2000, and the
Board of
Directors on
February 24,
2000.

(Incorporated

by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
14, 2000,
File No. 1-
10410.)
+10(94)
TARSAP

Deferral Plan
dated July
28, 1999.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed

November 12,
1999, Filed
No. 1-10410.)
+10(95)
TARSAP

Deferral
Plan--
Deferral
Agreement
dated August
30, 1999,
between
Harrah's

Entertainment,
Inc. and
Philip G.
Satre.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed

November 12,
1999, Filed
No. 1-10410.)
**+10(96)

TARSAP
Deferral
Plan--
Deferral
Agreement
dated June
29, 2001,
between
Harrah's

Entertainment,
Inc. and
Stephen H.
Brammell.

**+10(97)
TARSAP

Deferral
Plan--
Deferral
Agreement
dated May 7,
2001, between
Harrah's

Entertainment,
Inc. and
Marilyn G.
Winn. +10(98)

Time
Accelerated
Restricted

Stock Award
Plan II
(TARSAP II)
approved by
the Human
Resources
Committee of
the Board of
Directors on
April 26,
2000.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed August
14, 2000,
File No. 001-
10410.)
+10(99)

Description
of amendment
to Time
Accelerated
Restricted
Stock Program
(TARSAP II)
approved by
the Human
Resources
Committee of
the Board of
Directors on
July 26,
2000.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed
November 13,
2000, File
No. 1-10410.)
+10(100)
Harrah's

Entertainment,
Inc.'s
Restated
Annual
Management
Bonus Plan
dated
February
2000.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed May 12,
2000, File
No. 1-10410.)
+10(101)

Harrah's
Entertainment,
Inc. 2001
Executive
Stock
Incentive
Plan approved
by the
Company's
stockholders

on May 3,
2001.
(Incorporated
by reference
from the
Company's

25

NO. - -----

Registration
Statement on
Form S-8 of
Harrah's
Entertainment,
Inc., File
No. 333-
63856, filed
June 26,
2001.)
10(102)
Intercreditor
Agreement
among
Harrah's
Entertainment,
Inc.,
Harrah's
Operating
Company,
Inc., Bankers
Trust
Company, as
Administrative
Agent, and
Norwest Bank
Minnesota,
National
Association,
as Trustee,
and The Bank
of New York,
as Collateral
Agent,
acknowledged
and agreed to
by JCC
Holding
Company, Jazz
Casino
Company,
L.L.C., CP
Development,
L.L.C., FP
Development,
L.L.C., and
JCC
Development
Company,
L.L.C., dated
as of October
29, 1998.
(Incorporated
by reference
from JCC
Holding
Company's
Registration
Statement on
Form 10/A,
filed
November 20,
1998, File
No. 1-12095.)
10(103)
HET/JCC
Agreement
between

Harrah's
Entertainment,
Inc.,
Harrah's
Operating
Company, Inc.
and Jazz
Casino
Company,
L.L.C., dated
October 30,
1998.

(Incorporated
by reference
from JCC
Holding
Company's
Registration
Statement on
Form 10/A,
filed
November 20,
1998, File
No. 1-12095.)
10(104) Form
of Four Year
Unconditional
Minimum
Guaranty
Agreement for
Four Fiscal
Year Period
Beginning
April 1, 2001
and Ending
March 31,
2005, entered
into as of
March 31,
2001 by the
Company in
favor of the
State of
Louisiana.

(Incorporated
by reference
from the
Company's
Quarterly
Report on
Form 10-Q
filed May 11,
2001, File
No. 1-10410.)

**11

Computations
of per share
earnings.

**12

Computations
of ratios.

**13 Portions
of Annual
Report to
Stockholders
for the year
ended

December 31,
2001. (Filed
herewith to
the extent
portions of
such report
are

specifically
included
herein by
reference.)

**21 List of
subsidiaries
of Harrah's

** Filed herewith.

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

(b) The following reports on Form 8-K were filed by the Company during the fourth quarter of 2001 and thereafter through March 8, 2002.

- (i) Form 8-K filed October 10, 2001, regarding the extension of the exchange offer for Harrah's Operating Company, Inc. of 7.125% Senior Notes.
- (ii) Form 8-K filed October 17, 2001, regarding third quarter earnings.
- (iii) Form 8-K filed January 16, 2002, regarding a pre-announcement of the Company year 2001 results.
- (iv) Form 8-K filed January 25, 2002, regarding an injunction against Stratosphere Corporation for marketing patent infringement.
- (v) Form 8-K filed February 6, 2002, regarding full year and fourth quarter results for 2001.
- (vi) Form 8-K filed March 1, 2002, regarding the election of Barbara T. Alexander to the Board of Directors of the Company.

SIGNATURES

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

HARRAH'S ENTERTAINMENT, INC.

By: /s/ PHILIP G. SATRE

Philip G. Satre, Chairman and
Chief Executive Officer

Dated: March 8, 2002

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

SIGNATURE

TITLE

DATE ---

- /s/

JAMES B.

FARLEY -

Director

March 8,

2002

James B.

Farley

/s/ JOE

M.

HENSON -

Director
March 8,
2002 Joe
M.
Henson
/s/
RALPH
HORN ---

-

Director
March 8,
2002
Ralph
Horn /s/
GARY W.
LOVEMAN

Director,
President
and
Chief
March ,
2002
Gary W.
Loveman
Operating
Officer
/s/ R.
BRAD
MARTIN -

Director
March 8,
2002 R.
Brad
Martin
/s/ GARY
G.
MICHAEL

Director
March 8,
2002
Gary G.
Michael
/s/
ROBERT
G.
MILLER -

Director
March 8,
2002
Robert
G.
Miller
/s/
WALTER
J.

SALMON -

Director
March 8,
2002
Walter
J.
Salmon

27

SIGNATURE
TITLE DATE

/s/ PHILIP
G. SATRE -

Director,
Chairman
and Chief
March 8,
2002
Philip G.
Satre
Executive
Officer

/s/ BOAKE
A. SELLS -

Director
March 8,
2002 Boake
A. Sells
/s/ EDDIE
N.

WILLIAMS -

Director
March 8,
2002 Eddie
N.
Williams
/s/

ANTHONY D.
MCDUFFIE -

----- Vice
President,
Controller
and March
8, 2002
Anthony D.
McDuffie
Chief
Accounting
Officer

28

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements included in the Harrah's Entertainment, Inc. 2001 annual report to stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated February 6, 2002. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedules listed under Item 14(a)2 are the responsibility of the Company's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

Las Vegas, Nevada
February 6, 2002

29

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 6, 2002 included (or incorporated by reference) in this Form 10-K for the year ended December 31, 2001, into the Company's previously filed Registration Statements File Nos. 333-57214, 333-56266, 333-39840, 333-63854, 333-63856 and 333-68360.

/s/ Arthur Andersen LLP

Las Vegas, Nevada
March 4, 2002

30

SCHEDULE I

HARRAH'S ENTERTAINMENT, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

BALANCE SHEETS

(IN THOUSANDS)

DECEMBER 31, -----	2001	2000	-----
----- ASSETS			
Cash.....			
\$ -- \$ -- Investments in and advances to subsidiaries (eliminated in consolidation).....	1,374,113	1,269,718	\$1,374,113
	\$1,269,718	=====	===== LIABILITIES AND
STOCKHOLDERS' EQUITY Commitments and contingencies (Notes 2, 3 and 6 through 8) Stockholders' equity (Note 4) Common stock, \$0.10 par value, authorized--360,000,000 shares, outstanding--112,322,143 and 115,952,394 (net of 28,977,890 and 22,030,805 held in treasury).....			\$ 11,232
11,595 Capital surplus.....	1,143,125	1,075,313	Retained earnings.....
			248,098
			224,251 Accumulated other comprehensive income.....
			(1,449) (1,036) Deferred compensation related to restricted stock.....
			(26,893)
			(40,405) -----
			\$1,374,113 \$1,269,718
			=====

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

S-1

SCHEDULE I (CONTINUED)

HARRAH'S ENTERTAINMENT, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENTS OF OPERATIONS

(IN THOUSANDS)

YEAR ENDED DECEMBER 31,	----- 2001	
	2000	1999
Revenues.....		
	\$ --	\$ --
Costs and expenses.....		1,519
150 150 -----		Loss before income taxes
		and equity in subsidiaries' continuing
earnings.....	(1,519)	(1,519)
	(150)	(150)
Income tax benefit.....	532	53
	53	53
-----		Loss before equity in
subsidiaries' continuing earnings.....	(987)	(97)
	(97)	(97)
Equity in subsidiaries' continuing earnings		
(loss).....	209,977	(11,247)
	219,600	-----
Income (loss) before extraordinary		
losses.....	208,990	(11,344)
	219,503	
Extraordinary losses, net of tax benefit of \$13, \$388 and		
\$5,990 (Note		
3).....	(23)	
	(716)	(11,033)
-----		Net income
(loss).....	\$208,967	
	\$(12,060)	\$208,470
	=====	=====
	=====	=====

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

S-2

SCHEDULE I (CONTINUED)

HARRAH'S ENTERTAINMENT, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

YEAR ENDED DECEMBER 31,	-----	
	2001	2000
	2001	1999
Cash flows from operating activities Net		
income		
(loss).....	\$ 208,967	\$ (12,060)
	\$ 208,470	
Adjustment to reconcile net income (loss) to cash flows from		
operating activities Equity in undistributed		
continuing (earnings) losses of		
subsidiaries.....	(209,977)	11,247
	(219,600)	
Extraordinary		
losses.....	36	
	1,104	17,023
Other non-cash		
activity.....	974	
	(291)	(5,893)
-----		Cash
flows from operating activities.....		
Cash		
flows from financing activities Distributions		
from subsidiary.....	185,782	277,607
	147,952	
Treasury stock		
purchases.....	(185,782)	(277,607)
	(147,952)	-----
Cash flows from financing		
activities.....		
Net change in		
cash.....		
Cash, beginning of		
period.....		
Cash, end of		
period.....		
	\$ --	\$ --
	\$ --	\$ --
	=====	=====
	=====	=====

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

S-3

HARRAH'S ENTERTAINMENT, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

NOTES TO FINANCIAL STATEMENTS

NOTE 1--BASIS OF ORGANIZATION

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

NOTE 2--INVESTMENT IN ASTER

The value of HET's investment in Aster has been reduced below zero. HET's negative investment in Aster at December 31, 2001 and 2000 was \$6.8 million and \$6.9 million, respectively, and is included in investments in and advances to subsidiaries on the Balance Sheets. In addition, HET has guaranteed the payment by Aster of certain insurance-related liabilities.

NOTE 3--LONG-TERM DEBT

HET has no long-term debt obligations.

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

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

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

In January 2001, HOC completed a private placement of \$500.0 million principal amount 8% Senior Notes due 2011 (the "8% Notes"). In June 2001, HOC completed an exchange offer whereby the private placement notes were exchanged for public notes.

In June 2001, HOC completed a private placement of \$500.0 million principal amount 7.125% Senior Notes due 2007 (the "7.125% Notes"). In October 2001, HOC completed an exchange offer whereby the private placement notes were exchanged for public notes.

HET has guaranteed the 7 7/8% Notes, the 7 1/2% Notes, the 8% Notes and the 7.125% Notes, as well as HOC's revolving credit and letter of credit facilities.

NOTE 4--STOCKHOLDERS' EQUITY

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

Preferred stock, \$100 par value, 150,000 shares authorized
 Special stock, \$1.125 par value, 5,000,000 shares authorized--
 Series A Special Stock, 2,000,000 shares designated

S-4

HARRAH'S ENTERTAINMENT, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4--STOCKHOLDERS' EQUITY (CONTINUED)

HET's Board of Directors has authorized that one special stock purchase right (a "Right") be attached to each outstanding share of common stock. The Rights are not separable from the shares. These Rights are exercisable only if a person or group acquires 15% or more of the Company's common stock or announces a tender offer for 15% or more of the common stock. Each Right entitles stockholders to buy one two-hundredth of a share of Series A Special Stock of

the Company at an initial price of \$130 per Right. If a person acquires 15% or more of the Company's outstanding common stock, each Right entitles its holder to purchase common stock of the Company having a market value at that time of twice the Right's exercise price. Under certain conditions, each Right entitles its holder to purchase stock of an acquiring company at a discount. Rights held by the 15% holder will become void. The Rights will expire on October 5, 2006, unless earlier redeemed by the Board at one cent per Right.

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

	NUMBER SHARES OF AUTHORIZED PURCHASED	NUMBER SHARES PURCHASED	AVERAGE PRICE PER SHARE	PLAN OF AUTHORIZED
				----- July
1999.....	10.0 million	10.0 million	\$23.44	April
2000.....	12.5 million	12.5 million	25.08	July
2001.....	6.0 million	2.1 million	25.46	

The July 2001 authorization expires December 31, 2002. The shares repurchased under these programs are held in treasury and reflected in HET's Balance Sheets as if they were retired.

NOTE 5--INCOME TAXES

HET files a consolidated tax return with its subsidiaries.

NOTE 6--COMMITMENTS AND CONTINGENCIES

JCC HOLDING COMPANY. JCC Holding Company and its subsidiary, Jazz Casino Company, LLC (collectively, "JCC"), own and operate a land-based casino in New Orleans, Louisiana (the "Casino"). The Company has a minority ownership interest (and noncontrolling board representation) in JCC, and a subsidiary of the Company manages the Casino. On January 4, 2001, JCC filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code to restructure its obligations to the State of Louisiana and the City of New Orleans, long-term debt, bank credit facilities and trade and other obligations. JCC's plan of reorganization was approved by the bankruptcy court on March 19, 2001, and was effective on March 29, 2001.

Pursuant to the reorganization plan, the Company and HOC are guaranteeing an annual payment obligation of JCC owed to the State of Louisiana of \$50 million in the first year (\$12.3 million remained at December 31, 2001) and \$60 million for three subsequent years. HOC receives a fee of 2% of the average amount at risk for providing this guarantee. Also pursuant to the reorganization plan, HOC received 49% of the new common stock of JCC and holds approximately \$51 million of the new debt of JCC, which replaced \$81.6 million owed to HOC prior to JCC's reorganization. HOC is

NOTE 6--COMMITMENTS AND CONTINGENCIES (CONTINUED)

also providing a \$35 million revolving credit facility to JCC at market terms. At December 31, 2001, no funds were outstanding from JCC under the revolving credit facility. A subsidiary of HOC continues to manage the Casino pursuant to an amended management agreement, which, among other things: (i) changes the base management fee to an incentive management fee based on earnings of the business before interest expense, income taxes, depreciation, amortization and management fees, (ii) requires HOC to provide certain administrative services to JCC as part of its management fee without any reimbursement from JCC, and (iii) provides for termination of management services if minimum performance thresholds are not met.

Due to the filing of bankruptcy by JCC, in fourth quarter 2000 HOC recorded reserves of \$220 million for receivables not expected to be recovered in JCC's

reorganization plan. In first quarter 2001, an additional \$2.3 million was recorded to reserve for additional advances made to JCC during first quarter 2001 and to adjust the reserves for modifications to the approved reorganization plan. HOC did not record its share of JCC's operating results in first quarter 2001, however, with the implementation of JCC's reorganization plan, HOC resumed recording its share of JCC's results in second quarter 2001.

NOTES 7--LITIGATION

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

NOTE 8--ACQUISITIONS

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

On March 22, 2000, HOC completed the acquisition of Players International, Inc. ("Players") for approximately \$284 million, including acquisition costs, and assumed \$150 million of Players' debt.

On July 31, 2001, HOC completed the acquisition of Harveys Casino Resorts ("Harveys") for approximately \$311 million, including acquisition costs, and assumed approximately \$350 million of Harveys' debt. HOC also assumed a \$50 million contingent liability. This liability is contingent on the results of a referendum to be decided by the voters in Pottawattamie County, Iowa, in November 2002.

For additional information regarding our acquisitions, see Note 2 to the Consolidated Financial Statements of HET and subsidiaries.

SCHEDULE II

HARRAH'S ENTERTAINMENT, INC.

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

(IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	-

----- ADDITIONS					
----- CHARGED BALANCE AT TO COSTS CHARGED					
DEDUCTIONS BALANCE BEGINNING AND TO OTHER FROM AT CLOSE					
DESCRIPTION OF PERIOD EXPENSES ACCOUNTS RESERVES OF					
PERIOD - -----					
----- YEAR ENDED DECEMBER 31, 2001 Allowance for					
doubtful accounts					
Current.....					
\$ 49,357	\$ 4,919	\$11,122	\$ (4,243)(A)	\$ 61,150	=====
					===== Long-
term.....				\$	
156	\$ --	\$24,833	\$ --	\$ 24,989	=====
					===== Reserve against investments in and
					advances to nonconsolidated affiliates
(B).....			\$249,850	\$ --	\$(24,833)
					=====
					===== Reserve for impairment of long-lived assets
(C).....		\$ 5,923	\$ 8,501	\$ --	\$(110)
					\$ 14,314
					===== Reserve for
					contingent liability exposure.....
					\$ 48,741
					=====
					===== Insurance allowances and
reserves.....				\$ 57,718	\$159,568
					\$ --
					-\$ (149,770)
					\$ 67,516
					=====
					===== YEAR ENDED DECEMBER 31, 2000
					Allowance for doubtful accounts
Current.....					
\$ 44,086	\$ 8,900	\$ 239	\$ (3,868)(A)	\$ 49,357	=====
					===== Long-
term.....				\$	
8,005	\$ (4,534)	\$ --	\$ (3,315)	\$ 156	=====

BYLAWS
OF
HARRAH'S ENTERTAINMENT, INC.
(Amended May 2, 2001)

ARTICLE I
OFFICES

SECTION 1. REGISTERED OFFICE. The registered office of Harrah's Entertainment, Inc. (the "Corporation") shall be at 1013 Centre Road, in the City of Wilmington, County of New Castle, State of Delaware.

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

ARTICLE II
MEETINGS OF STOCKHOLDERS

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

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

Written notice of an annual meeting stating the place, date and hour of the meeting, shall be given to each stockholder

entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

To be properly brought before the annual meeting, business must be either (i) specified in the notice of annual meeting (or any supplement or amendment thereto) given by or at the direction of the Board of Directors, (ii) otherwise brought before the annual meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the annual meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting, provided, however, that in the event that less than seventy (70) days notice or prior public disclosure of the date of the annual meeting is given or made to stockholders, notice by a stockholder, to be timely, must be received no later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs. A stockholder's notice to the Secretary shall set forth (a) as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, and (ii) any material interest of the stockholder in such business, and (b) as to the stockholder giving the notice (i) the name and record address of the stockholder and (ii) the class, series and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Article II, Section 2. The officer of the Corporation presiding at an annual meeting shall, if the facts

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

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

-2-

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

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

SECTION 5. VOTING. Unless otherwise required by law, the Certificate of Incorporation or these Bylaws, any question brought before any meeting of stockholders shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat, excluding any shares that are voted "Abstain" on such question, so that abstentions shall not be counted in the decision. Each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder, unless otherwise provided by the Certificate of Incorporation. Such votes may be cast in person or by proxy but no proxy shall be voted after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

SECTION 6. LIST OF STOCKHOLDERS ENTITLED TO VOTE. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list

-3-

shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

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

ARTICLE III

DIRECTORS

SECTION 1. NOMINATION OF DIRECTORS. Nominations of persons for election to the Board of Directors of the Corporation at the annual meeting may be made at such meeting by or at the direction of the Board of Directors, by any committee or persons appointed by the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Article III, Section 1. Such nominations by any stockholder shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting; provided, however, that in the event that less than seventy (70) days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder, to be timely, must be received no later than the close of business on the tenth (10th) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person, and (d) any other information relating to the person that is required to be disclosed in

-4-

solicitations for proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended; and (ii) as to the stockholder giving the notice (a) the name and record address of the stockholder and (b) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. The directors shall be elected at the annual meeting of the stockholders, except as provided in the Certificate of Incorporation, and each director elected shall hold office until his successor is elected and qualified; provided, however, that unless otherwise restricted by the Certificate of Incorporation or by law, any director or the entire Board of Directors may be removed, either with or without cause, from the Board of Directors at any meeting of stockholders by a majority of the stock represented and entitled to vote thereat.

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

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

-5-

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

SECTION 4. ACTIONS OF BOARD OF DIRECTORS. Unless otherwise provided by the

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

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

SECTION 6. COMMITTEES. The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

SECTION 7. COMPENSATION. The directors may be paid their expenses, if any, of attendance at each meeting of the Board

-6-

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

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

ARTICLE IV

OFFICERS

SECTION 1. GENERAL. The officers of the Corporation shall be chosen by the Board of Directors and shall be a President or one or more members of an Office of the President (hereinafter sometimes referred to as "the President"), a Secretary and a Treasurer. The Board of Directors, in its discretion, may also choose a Chairman of the Board of Directors (who must be a director) and one or

more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these Bylaws. The officers of the Corporation need not be stockholders of the

-7-

Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

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

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

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

SECTION 5. PRESIDENT OR OFFICE OF THE PRESIDENT. The President and members of the Office of the President shall be

-8-

selected by the Board and shall, subject to the control of the Board of Directors and, if there be one, the Chairman of the Board of Directors and, if there be one, the Chief Executive Officer, have general supervision of the business of the Corporation, and the President, or the members of the Office of the President, shall see that all orders and resolutions of the Board of Directors are carried into effect. The President, and each member of the Office of the President, shall individually have the authority to execute all bonds, mortgages, contracts and other instruments of the Corporation, including those requiring a seal under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these Bylaws, the Board of Directors or a Committee thereof, or the President or any member of the Office of the President. In the absence or disability of the Chairman of the Board of Directors, or if there be none, the President or the person in the Office of the President having the title of Chief Executive Officer, or in his absence or there being none, having the title of President shall preside at all meetings of the stockholders and the Board of Directors. The President and the members of the Office of the President shall also perform such other duties and may exercise such other powers as from time to time may be assigned to them by these Bylaws or by the Board of Directors. Each member of the Office of the President shall be authorized to act on behalf of such Office.

SECTION 6. VICE PRESIDENTS. At the request of the President or in his

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

SECTION 7. SECRETARY. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for the standing committees when required.

-9-

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

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

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

-10-

Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

SECTION 10. ASSISTANT TREASURERS. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors,

an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

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

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

ARTICLE V

STOCK

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

-11-

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

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

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

SECTION 5. RECORD DATE. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

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

ARTICLE VI

NOTICES

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

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

ARTICLE VII

GENERAL PROVISIONS

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

of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

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

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

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

SECOND AMENDMENT TO
2001 RESTATEMENT OF THE
HARRAH'S ENTERTAINMENT, INC.
EXECUTIVE SUPPLEMENTAL SAVINGS PLAN

WHEREAS, Harrah's Entertainment, Inc. (the "Company") maintains the 2001 Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan (the "Plan") in order to provide its key executives with an opportunity and incentive to save for retirement and other purposes; and

WHEREAS, it is desirable to amend the Plan to provide (i) that participants may elect to defer up to 25% of their salary during any deferral period, (ii) that any before-tax deferrals by a participant into the Company's Savings and Retirement Plan (up to 6% of the participant's salary) which cannot be deferred under that plan on a before-tax basis as a result of any law or regulation will be automatically deferred under the Plan and that such deferrals shall not be subject to the 25% limit on deferrals of salary, (iii) that participants who at the request of the Company transfer their employment to JCC Holding Company or one of its subsidiaries will continue to be participants in the Plan for purposes of continued vesting, timing of distributions and eligibility for certain Company enhancement contributions and (iv) that the Trust Fund will be fully funded immediately before any Change of Control; and

WHEREAS, Section 12.1(a) of the Plan provides that the Company has the right to amend the Plan; and

WHEREAS, Section 9.9 of the Plan provides that any action to be taken by the Company shall be taken by its Board of Directors or the appropriate committee of its Board of Directors; and

WHEREAS, the Human Resources Committee of the Company's Board of Directors has approved the adoption of this Second Amendment.

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended, effective January 1, 2002, except as otherwise provided below, as follows:

1. By substituting the following for the first sentence of Section 3.5 of the Plan:

"If a former Employee is rehired by an Employer and is eligible to participate in the Plan, he shall reenter the

Plan on the same basis as a newly eligible Employee in accordance with the provisions of Section 3.1 (SELECTION OF PARTICIPANTS)."

2. By substituting for Sections 4.1(a) and (b) of the Plan as follows:

"(a) SALARY DEFERRAL CONTRIBUTIONS. A Participant may elect to defer a maximum of 25% of the Salary otherwise payable to him during the Deferral Period, or such other maximum amount as may be prescribed by the EDCP Committee as the Salary Deferral Contribution limit for all Participants or pursuant to subsection (c); PROVIDED, HOWEVER, that Savings and Retirement Plan Rollover Deferrals pursuant to subsection (d) below shall be in addition to any Salary Deferral Contributions permitted under this subsection (a)."

3. By inserting new Section 4.1(d) to the Plan as follows:

"(d) SAVINGS AND RETIREMENT PLAN ROLLOVER DEFERRALS. In addition to the deferrals permitted under subsection (a) above, any Participant that participates at the maximum before-tax percentage contributions under the Savings and Retirement Plan shall be deemed to have elected to defer into this Plan as a Savings and Retirement Plan Rollover Deferral that portion of eligible Savings and Retirement Plan earnings which the Participant elected to defer under such Savings and Retirement Plan which could not be deferred on a before-tax basis under any such plan due to any law or regulation, but excluding any amount which was actually deferred into the Savings and Retirement Plan but distributed back to the Participant in a following plan year."

4. By substituting for Section 4.2 of the Plan as follows:

"4.2 MATCHING CONTRIBUTIONS.

(a) Each Employer shall make a Matching Contribution

on behalf of each of its Participants who has elected to make Salary Deferral Contributions or has had any Savings and Retirement Plan Rollover Deferrals pursuant to Section 4.1(d) during the Deferral Period under Section 4.1 (PARTICIPANT CONTRIBUTIONS) and is eligible to receive a matching contribution under the Savings and Retirement Plan. No Matching Contributions shall be made with respect to Bonus Deferral Contributions. The Matching Contribution shall be credited to each eligible Participant's Matching Contribution

2

Account as of the year-end Valuation Date or date of termination.

(b) The Matching Contribution for each eligible Participant shall equal the difference between

(1) the sum of

(A) 100% of the Participant's contributions to the Savings and Retirement Plan for its plan year coinciding with the Deferral Period, plus

(B) 100% of the Participant's Salary Deferral Contributions and Savings and Retirement Plan Rollover Deferrals in the Deferral Period,

up to the Matching Limit as applied to the Participant's Salary, less

(2) the Employer's matching contribution for such Participant under the Savings and Retirement Plan."

5. By substituting for Section 13.5 of the Plan as follows:

"13.5 FUNDING UPON A CHANGE OF CONTROL. Immediately before the occurrence of a Change of Control, the Company shall determine whether, for any reason, the assets of the Trust Fund are less than the aggregate Account balances of all Participants (determined without regard to the vested interest of each Participant) and transfer an amount equal to the deficiency to the Trustee of the Trust. If it is discovered at any time that the amount initially transferred is less than the total amount called for by the preceding sentence, the shortfall, including any accrued interest on the shortfall, shall be transferred to the Trustee immediately upon the discovery of such error."

6. Effective as of January 1, 2001, by adding the attached Appendix I to the Plan.

3

IN WITNESS WHEREOF, the Company has caused this Second Amendment to be executed by a duly authorized officer on this 20th day of November, 2001.

HARRAH'S ENTERTAINMENT, INC.

By: /s/ MARILYN G. WINN

Name: Marilyn G. Winn
Title: SVP Human Resources

4

APPENDIX I

This Appendix I amends the provisions of the Plan as applicable to JCC Participants and is effective with respect to a Participant upon employment by JCC of such Participant as a JCC Participant.

1. DEFINITIONS.

subsidiaries. (a) "JCC" means JCC Holding Company and its

(b) "JCC PARTICIPANT" means each Participant in the Plan who is no longer employed by an Employer but who is an employee of JCC and whose employment with an Employer and subsequent employment with JCC was initiated at the request of the Company.

(c) "JCC SAVINGS AND RETIREMENT PLAN" means the retirement plan qualified under Section 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended, in which employees of JCC and its subsidiaries participate.

(d) "YEARS OF VESTING SERVICE" with respect to a JCC Participant shall mean the years of service credited to an individual for vesting purposes under the Savings and Retirement Plan, determined in accordance with all applicable provisions of the Savings and Retirement Plan, and the JCC Savings and Retirement Plan, determined in accordance with all applicable provisions of the JCC Savings and Retirement Plan to the extent not inconsistent with the Savings and Retirement Plan.

2. NO TERMINATION OF EMPLOYMENT.

Participants in the Plan who become JCC Participants shall not be treated as having terminated their employment with an Employer for purposes of Sections 3.4, 4.7(b)(1), or 5.4(c) or Articles 7, or 8 of the Plan until the earlier to occur of :

(a) the date the JCC Participant's employment with JCC and its subsidiaries is terminated; provided JCC Participant is not re-employed by the Company or any Affiliate, or

(b) the date the Company no longer holds a direct or indirect equity ownership interest in JCC.

3. CONTRIBUTIONS.

(a) JCC Participants may not make Salary Deferral Contributions or Savings and Retirement Plan Rollover Deferrals to the Plan.

(b) JCC Participants shall not be entitled to receive any Discretionary Contributions.

(c) Each JCC Participant who received an initial Enhancement Contribution as described in subsection 4.7(a) of the Plan shall be credited with the second Enhancement Contribution under subsection 4.7(b)(1) if he continues to be employed by, or receives salary continuation payments from JCC until the date he attains age 55 and has completed 10 Years of Service.

4. TERMINATION. The terms of this Appendix I shall terminate and shall no longer be in effect as to any JCC Participant on the earlier of (a) the date this Appendix I is otherwise terminated by the Company, or (b) the date the Company no longer holds directly or indirectly any equity ownership interest in JCC.

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is entered into as of June 22, 2001, by and between Harrah's Operating Company, Inc., ("Company") and Charles Atwood ("Executive").

The Company and the Executive agree as follows:

1. EMPLOYMENT. The Company hereby employs the Executive as Senior Vice President, Chief Financial Officer and Treasurer or in such other capacity as the Company reasonably shall designate. The Executive may be an employee of the Company or one of its subsidiaries.

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

3. COMPENSATION. The Executive's compensation and benefits during his Active Employment shall be as follows:

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

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

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

5. TERM. The term of this Agreement shall be for four (4) years, beginning June 22, 2001, and ending June 21, 2005.

6. NO CAUSE TERMINATION/NON-RENEWAL OF AGREEMENT. The Company may terminate the Executive's Active Employment at any time without cause upon thirty (30) days' prior written notice

("no cause termination"). The Company also, in its sole discretion, may elect not to renew this Agreement upon its expiration ("non-renewal of Agreement"). In the event of such no cause termination or non-renewal of Agreement, the Executive shall remain an employee of the Company during the subsequent salary continuation period and shall be entitled only to the salary and benefits set forth below, unless otherwise specified in this Agreement.

Benefit - - - - -	Termination Date - - - - -
Base Salary (rate as of Separation Date)	Eighteen (18) months (78 weeks) ("Salary Continuation Period") from last day worked ("Separation Period") from last day of Active Employment ("Separation Date").
PTO and Service Credit	Separation Date (accrued PTO will be paid within thirty days of Separation Date).
Use of Credit Cards	Separation Date.
Bonus-Payment and Eligibility	(i) Eligible for prior year bonus if Separation Date occurs during payment year but prior to payment; (ii) eligible for prorated bonus for the then current year if in job for more than six (6) months and Separation Date occurs after June 30; (iii) not eligible for bonus

	for year following Separation Date.
Group Health and Life Insurance	End of Salary Continuation Period. Eighteen (18) month COBRA rights period for health insurance will commence on Separation Date. (See also Paragraph 10.)
Retaining Existing Stock Options for Vesting and Other Rights	(i) Options from grants made prior to June 22, 2001, that have vested prior to Separation Date can be exercised through end of Salary Continuation Period, but unvested options from such grants will be forfeited as of Separation Date; (ii) options from grants made on or after June 22, 2001, retained for exercise and vesting through
	2
	end of Salary Continuation Period. Exercise of vested options after Salary Continuation Period per plan rules.
	Accelerated vesting of all options not forfeited on Separation Date if Change of Control occurs during Salary Continuation Period.
Retaining Existing Restricted Stock for Vesting and Other Rights	All regular restricted stock that is unvested as of the Separation Date will be forfeited on that date. Forfeited restricted stock will not vest upon a Change in Control during Salary Continuation. See below for TARSAP.
Eligibility for New Restricted Stock or New Stock Options	Separation Date.
TARSAP II	The next potential vesting installment of TARSAP II for Executive after the Separation date if the installment is earned will vest for Executive (all, part or none) at the CEO's and HRC's discretion. If a change in control, as defined in Executive's Severance Agreement, occurs during salary continuation, Executive will only be entitled to the next potential vesting installment of TARSAP II not otherwise earned. Invested shares at the end of salary continuation are forfeited.
Use of Financial Counseling per Plan Provisions	End of Salary Continuation Period. The maximum remaining benefit shall be annual benefit remaining as of Separation Date.
Savings and Retirement Plan Deductions (Active Participation)	End of year of Separation Date. Employment termination date will be termination date under S&RP.
Executive Supplemental Saving Plan (ESSP)	End of year of Separation Date. ESSP payments will be made in

3

accordance with the elections made prior to the Separation Date.

7. DEATH OF EXECUTIVE. Upon the death of the Executive during his Active Employment, his salary and all rights and benefits hereunder will terminate, and his estate and beneficiary(ies) will receive the benefits to

which they are entitled under the terms of the Company's benefit plans and programs by reason of a participant's death during employment, and the applicable rights and benefits under the Company's stock plans. If the Executive dies during the Salary Continuation Period, all of the provisions of the previous sentence apply except that the remaining salary continuation will be paid in a lump sum to the Executive's estate.

8. TERMINATION BY COMPANY FOR CAUSE. The Company shall have the right to terminate the Executive's Active Employment for cause. Employment status and all salary and benefits shall thereupon cease, except COBRA rights and as otherwise provided in applicable benefit plans. Termination for cause shall be effective immediately upon notice sent or given to the Executive and this effective date will be both his Separation Date and date of termination of employment. For purposes of this Agreement, the term "cause" shall mean and be strictly limited to: (i) conviction of any crime that materially discredits the Company or is materially detrimental to the reputation or goodwill of the Company; (ii) commission of any material act of fraud or dishonesty against the Company, or commission of an immoral or unethical act that materially reflects negatively on the Company, or engaging in willful misconduct; provided that the Executive shall first be provided with written notice of the claim against him under this provision; (ii) and with an opportunity to contest said claim before the Board of Directors; or (iii) material breach of the Executive's obligations under Paragraph 2. of this Agreement, as so determined by the Board of Directors.

9. VOLUNTARY TERMINATION/NOTICE PERIOD. The Executive may terminate this Agreement voluntarily at any time and for any or no reason during its term upon thirty (30) days' prior written notice to the Company, except as specified in this paragraph. If the Executive is going to work or act in competition with the Company as described in Paragraph 13. of this Agreement, the Executive must give the Company six (6) months prior written notice of his intention to do so. The written notice provided by the Executive shall specify the last day to be worked by the Executive ("Separation Date"), which Separation Date under this Paragraph 9. shall also be his termination of employment date and must be at least thirty (30) days or six (6) months (as appropriate) after the date the notice is received by the

4

Company. Unless otherwise specified herein, or in a writing executed by both parties, the Executive shall not receive any of the benefits provided in this Agreement after the Separation Date set forth in his written notice except for applicable rights and benefits that apply to employees generally upon termination of employment.

10. CERTAIN HEALTH INSURANCE BENEFITS. If (i) the Executive reaches the age of 50 and, when added to his number of years of continuous service with the Company including any period of salary continuation, the sum of his age and years of service equals or exceeds 65, and at any time after the occurrence of both such events the Executive's employment is terminated pursuant to Paragraph 6., above; or (ii) the Executive reaches the age of 55 and has attained ten (10) years of continuous service with the Company including any period of salary continuation, and at any time after the occurrence of both such events the Executive's employment terminates for any reason other than by the Company for "cause" as described in paragraph 8., above, the Executive and his then-eligible dependents shall be entitled to participate in the Company's group health insurance plan, as amended from time to time by the Company, after the Executive's Separation Date or the end of the Salary Continuation Period, as applicable, for the remainder of the Executive's life ("Life Coverage Period"). During the Life Coverage Period, the Executive shall pay 20% of the current premium (revised annually) on an after-tax basis each quarter, and the Company shall pay 80% of said premium on an after-tax basis, which contribution will be imputed income to the Executive. As soon after the Separation Date as the Executive becomes eligible for Medicare coverage, the Company's group health insurance plan shall become secondary to Medicare.

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

The Executive shall also receive the benefits and be bound by

Control, as defined in the Executive's Severance Agreement, occurs following the effective date of this Agreement.

11. CHANGE IN CONTROL. If a Change in Control, as defined in the Executive's Severance Agreement, occurs during the Executive's Active Employment, and if the Severance Agreement is in force when the Change in Control occurs, then the Severance Agreement supersedes and replaces this Agreement except as provided in Paragraph 10. If, prior to a Change in Control (as defined above), the Executive's Active Employment has been terminated for any reason by either party, or this Agreement is not renewed by the Company, then the Executive's Severance Agreement terminates automatically.

12. DISABILITY. If the Executive becomes disabled prior to the termination of his Active Employment or the non-renewal of this Agreement, he will be entitled to apply at his option for the Company's long-term disability benefits. If he is accepted for such benefits, then the terms and provisions of the Company's benefit plans and the programs (including the ESSP and the Company's Stock Option and Restricted Stock Plans) that are applicable in the event of such disability of an employee shall apply in lieu of the salary and benefits under this Agreement, except that (i) the Escrow Agreement (if then in force) and his indemnification agreement will continue in force (the Escrow Agreement will be subject to amendment or termination in accordance with its terms), and (ii) he will be entitled to the lifetime group insurance benefits described in Paragraph 10. If the Executive is disabled so that he cannot perform his duties (as determined by the Human Resources Committee (HRC), and if he does not apply for long-term disability benefits or is not accepted for such benefits, then the Company may terminate his duties under this Agreement. In such event, he will receive eighteen (18) months' salary continuation, together with all other benefits, and during such period of salary continuation any stock options and restricted stock grants then in existence will continue in force for vesting purposes. However, during such period of salary continuation for disability, Executive will not be eligible to participate in the annual bonus plan, nor will he be eligible to receive stock option or restricted stock grants or any other long-term incentive awards except to the extent approved by the HRC.

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

13. NON-COMPETITION.

(a) NON-COMPETITION. During the Executive's Active Employment, and during the Salary Continuation Period described in Paragraph 6., above, the Executive:

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

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

(b) SCOPE OF COVENANTS; REMEDIES. The following provisions shall apply to the covenants of the Executive contained in this Paragraph 13:

(i) the covenants contained in paragraphs (i) and (ii) of Paragraph 13.(a) shall apply within the United States, Canada and Mexico, plus any territories in which Company is actively engaged in the conduct of business while the Executive is employed under this Agreement, including,

without limitation, the territories in which customers are then being solicited;

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

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

7

14. Any confidentiality/non-solicitation agreement that Executive has signed with the Company shall remain in full force and effect according to its terms.

15. POST ACTIVE-EMPLOYMENT COOPERATION. Upon the termination of his Active Employment, the Executive will cooperate with, and provide information to, the Company in assuring an orderly transition of all matters being handled by him. Upon the Company providing reasonable notice to him, he will also appear as a witness at the Company's request and/or assist the Company in any litigation, bankruptcy or similar matter in which the Company or any affiliate thereof is a party; PROVIDED that the Company will defray any approved out-of-pocket expenses incurred by him in connection with any such appearance and that, if the Executive is no longer receiving salary compensation from the Company, the Company will compensate him for all time spent, at either his then current compensation rate or his salary rate as of the Separation Date, whichever is higher. The Company agrees further to indemnify him as prescribed in his Indemnification Agreement and Article TENTH of the Certificate of Incorporation of Harrah's Entertainment, Inc., as amended, filed on November 2, 1989, in the Office of the Secretary of State of the State of Delaware and recorded in Book 935, Page 780, ET SEQ.

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

17. GENERAL PROVISIONS.

(a) NOTICES. Any notice to be given hereunder by either party to the other may be effected by personal delivery,

8

in writing, or by mail, registered or certified, postage prepaid with return receipt requested. Mailed notices shall be addressed to the parties at the addresses set forth below, but each party may change his or its address by written notice in accordance with this Paragraph 17.(a). Notices shall be deemed communicated as of the actual receipt or refusal of receipt.

9

If to Executive: Charles Atwood
101 Tesoro Drive
Las Vegas, Nevada 89144

If to Company: Harrah's Operating Company, Inc.
One Harrah's Court
Las Vegas, Nevada 89193-8905
Attn: General Counsel

(b) PARTIAL INVALIDITY. If any provision in this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provision shall, nevertheless, continue in full force and without being impaired or invalidated in any way.

(c) GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada, without regard to its conflict of laws provisions.

(d) NO CONFLICTING AGREEMENT. By signing this Agreement, Executive warrants that he is not a party to any restrictive covenant, agreement or contract which limits the performance of his duties and responsibilities under this Agreement or under which such performance would constitute a breach.

(e) HEADINGS. The Section, paragraph, and subparagraph headings are for convenience or reference only and shall not define or limit the provisions hereof.

(f) AMENDMENTS. Any amendments to this Agreement must be in writing and signed by both parties.

(g) BINDING AGREEMENT. This Agreement is binding on the parties and their heirs, successors and assigns.

(h) SURVIVAL OF PROVISIONS. The provisions of this Agreement shall survive any termination thereof if so provided herein and if necessary or desirable fully to accomplish the purposes of such provisions, including without limitation the rights and obligations of the Executive under Paragraphs 6, 13, 15, 16 and 17 hereof.

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

10

Harrah's Operating Company, Inc.

/s/ CHARLES L. ATWOOD

Charles Atwood
Executive

By: /s/ PHILIP G. SATRE

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

DEFERRAL AGREEMENT

TARSAP DEFERRAL PLAN

This Agreement is dated June 29, 2001 (insert date) and relates to my deferral of the receipt of TARSAP shares under the Harrah's Entertainment, Inc. TARSAP Deferral Plan.

1. Election of Deferral for Annual Vesting

I elect to defer receipt of 10,000 shares (insert number) of my maximum annual TARSAP shares that will vest on January 1, 2002. This deferral election constitutes my consent to the immediate cancellation of this elected number of TARSAP shares and the issuance of rights to an equal amount of Harrah's Entertainment, Inc. common stock in lieu of these shares (Deferred Shares). This deferral is in addition to any previous deferral election that is applicable to this vesting.

2. Election of Receipt Date

I elect to receive my Deferred Shares commencing on the date of my termination of employment or on the following date (insert date if applicable), January 1, 2006, whichever date comes first (the Commencement Date).

The shares will then be issued as follows (check either A, B or C):

- (A) All Deferred Shares will be issued as a lump sum of shares on the Commencement Date.
- (B) All Deferred Shares will be issued as a lump sum on the first anniversary of the Commencement Date (i.e., one year after the Commencement Date).
- (C) All Deferred Shares will be issued over ____ years (insert 2 to 10) in approximately equal annual installments of shares, with the first installment issued on the first anniversary of the Commencement Date (i.e. one year after the Commencement Date) and each installment thereafter will be issued on successive anniversaries of the Commencement Date.

I understand that my elections are irrevocable, subject to the provisions of the TARSAP Deferral Plan. I further understand my Deferred Shares are subject to forfeiture in the same manner that TARSAP shares are subject to forfeiture. I agree to be bound by the terms of the TARSAP Program, the TARSAP Deferral Plan and the Company's 1990 Restricted Stock Plan, as amended from time to time, which are incorporated herein by reference. This Agreement will be governed by Nevada law.

Participant

Signature: /s/ STEPHEN H. BRAMMELL

Printed Name: Stephen H. Brammell

Address: 107 South Royal Ascot, LV, NV

Harrah's Entertainment, Inc.

By: _____
Title: _____

DEFERRAL AGREEMENT

TARSAP DEFERRAL PLAN

This Agreement is dated May 7, 2001 (insert date) and relates to my deferral of the receipt of TARSAP shares under the Harrah's Entertainment, Inc. TARSAP Deferral Plan.

1. Election of Deferral for Annual Vesting

I elect to defer receipt of 9,495 shares (insert number) of my maximum annual TARSAP shares that will vest on January 1, 2002. This deferral election constitutes my consent to the immediate cancellation of this elected number of TARSAP shares and the issuance of rights to an equal amount of Harrah's Entertainment, Inc. common stock in lieu of these shares (Deferred Shares). This deferral is in addition to any previous deferral election that is applicable to this vesting.

2. Election of Receipt Date

I elect to receive my Deferred Shares commencing on the date of my termination of employment or on the following date (insert date if applicable), June 2005, whichever date comes first (the Commencement Date).

The shares will then be issued as follows (check either A, B or C):

- ____(A) All Deferred Shares will be issued as a lump sum of shares on the Commencement Date.
- ____(B) All Deferred Shares will be issued as a lump sum on the first anniversary of the Commencement Date (i.e., one year after the Commencement Date).
- X (C) All Deferred Shares will be issued over 4 years (insert 2 to 10) in approximately equal annual installments of shares, with the first installment issued on the first anniversary of the Commencement Date (i.e. one year after the Commencement Date) and each installment thereafter will be issued on successive anniversaries of the Commencement Date.

I understand that my elections are irrevocable, subject to the provisions of the TARSAP Deferral Plan. I further understand my Deferred Shares are subject to forfeiture in the same manner that TARSAP shares are subject to forfeiture. I agree to be bound by the terms of the TARSAP Program, the TARSAP Deferral Plan and the Company's 1990 Restricted Stock Plan, as amended from time to time, which are incorporated herein by reference. This Agreement will be governed by Nevada law.

Participant

Signature: /s/ MARILYN G. WINN

Printed Name: Marilyn G. Winn

Address: 8816 Rozetta Ct. LV, NV 89134

Harrah's Entertainment, Inc.

By: _____

Title: _____

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

YEAR ENDED DECEMBER 31, -----			
----- 2001 2000 1999 -----			
----- Income (loss) before			
extraordinary losses.....	\$208,990,000		
\$(11,344,000) \$219,503,000	Extraordinary losses,		
net.....	(23,000) (716,000)		
(11,033,000) -----			
--- Net income			
(loss).....			
\$208,967,000 \$(12,060,000) \$208,470,000			
=====	=====	=====	BASIC
EARNINGS (LOSS) PER SHARE	Weighted average		
number of common shares			
outstanding.....			
113,539,872 117,189,838 126,071,980	=====		
=====	=====	=====	BASIC EARNINGS (LOSS)
PER COMMON SHARE	Income (loss) before		
extraordinary losses.....	\$ 1.84 \$ (0.09) \$		
1.74	Extraordinary losses,		
net.....	-- (0.01) (0.09) -		
-----	-----	-----	Net income
(loss).....	\$ 1.84 \$		
(0.10) \$ 1.65	=====	=====	
=====	=====	=====	DILUTED EARNINGS (LOSS) PER SHARE
Weighted average number of common shares			
outstanding.....			
113,539,872 117,189,838 126,071,980	Additional		
shares based on average market price for period	applicable to: Restricted		
stock.....	697,130 --		
789,690	Stock		
options.....			
1,471,400 -- 1,886,469	-----		
-----	-----	-----	Average number of common and common
equivalent shares outstanding			
(a).....	115,708,402		
117,189,838 128,748,139	=====		
=====	=====	=====	DILUTED EARNINGS
(LOSS) PER COMMON AND COMMON EQUIVALENT SHARE			
Income (loss) before extraordinary			
losses.....	\$ 1.81 \$ (0.09) \$ 1.71		
Extraordinary losses,			
net.....	-- (0.01) (0.09) -		
-----	-----	-----	Net income
(loss).....	\$ 1.81 \$		
(0.10) \$ 1.62	=====	=====	
=====	=====	=====	

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

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

	2001(A)	2000(B)	1999(C)	1998(D)	1997(E)

RETURN ON REVENUES-CONTINUING					
Income (loss) before extraordinary losses.....					
	\$ 208,990	\$ (11,344)	\$ 219,503	\$ 121,717	\$ 107,522
Revenues(f).....	3,709,040	3,329,796	2,894,125	1,907,892	1,561,707
Return.....	5.6%	(0.3)%	7.6%	6.4%	6.9%
RETURN ON AVERAGE INVESTED CAPITAL					
Income (loss) before extraordinary losses.....					
	\$ 208,990	\$ (11,344)	\$ 219,503	\$ 121,717	\$ 107,522
	121,717	107,522	Add: Interest expense after tax....	159,236	
	141,394	121,846	72,707	48,233	----
	-----	-----	\$ 368,226	\$ 130,050	\$ 341,349
	155,755	=====	=====	=====	=====
=====					
Average invested capital.....					
	\$5,035,044	\$4,488,288	\$4,231,789	\$2,426,028	\$1,815,869
	=====	=====	=====	=====	=====
Return.....	7.3%	2.9%	8.1%	8.0%	8.6%
=====					
===== RETURN ON AVERAGE EQUITY					
Income (loss) before extraordinary losses.....					
	\$ 208,990	\$ (11,344)	\$ 219,503	\$ 121,717	\$ 107,522
	121,717	107,522	Average equity.....	1,347,257	1,431,255
	1,347,257	1,431,255	1,416,591	793,492	722,298
Return.....	15.5%	(0.8)%	15.5%	15.3%	14.9%
RATIO OF EARNINGS TO FIXED CHARGES(G)					
Income (loss) before extraordinary losses.....					
	\$ 208,990	\$ (11,344)	\$ 219,503	\$ 121,717	\$ 107,522
	121,717	107,522	Add: Provision for income taxes.....	126,737	15,415
	15,415	128,914	74,600	68,746	
Interest expense.....	255,801	227,139	193,407	117,270	79,071
Interest included in rental expense.....	21,226	15,819	10,801	9,718	7,692
Amortization of capitalized interest.....	1,422	1,595	1,359	1,444	606
(Income) loss from equity investments.....	(148)	314,958	33,042	4,709	(473)
Adjustment to include 100% of non-consolidated, majority-owned affiliate(h)....	--	--	--	12,254	--

Earnings as defined.....					
	\$ 614,028	\$ 563,582	\$ 587,026	\$ 341,712	\$ 263,164
	263,164	=====	=====	=====	=====
=====					
Fixed charges: Interest expense.....					
	\$ 255,801				

\$ 227,139	\$ 193,407	\$ 117,270	\$
79,071 Capitalized			
interest.....	9,309	7,960	
13,118	2,526	6,860	Interest
included in rental			
expense.....			
21,226	15,819	10,801	9,718 7,692
Adjustment to include 100% of non-			
consolidated, majority-owned			
affiliate(h)....	--	--	-- 12,071 -

----- Total fixed			
charges.....	\$ 286,336		
\$ 250,918	\$ 217,326	\$ 141,585	\$
93,623	=====	=====	
=====			
Ratio of earnings to fixed			
charges.....			
2.1	2.2	2.7	2.4 2.8 =====
=====			
=====			

EXHIBIT 12 (CONTINUED)

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

	2001(A)	2000(B)	1999(C)	1998(D)	1997(E)

----- COMPUTATION OF					
PROPERTY EBITDA(I) Income from					
operations..... \$					
580,965	\$ 282,738	\$ 481,037	\$		
287,846	\$ 213,532	Add/(less):			
Depreciation and					
amortization.... 285,773					
236,082	193,599	142,879			
110,982	Write-downs, reserves				
and					
recoveries.....					
22,498	226,106	2,235	7,474		
13,806	Project opening				
costs.....	13,136	8,258			
2,276	8,103	17,631	Corporate		
expense..... 52,746					
50,472	42,748	37,890	27,155		
Headquarters relocation and					
reorganization					
costs.....	--	2,983			
10,274	--	Equity in			
(income) losses of non-					
consolidated					
affiliates.....	(148)				
57,935	43,467	14,989	11,053		
Venture restructuring					
costs.....	2,524	400	(322)		
6,013	6,944	Amortization of			
intangible					
assets.....					
25,288	21,540	17,617	7,450		
1,839	-----	-----	-----		

Property					
EBITDA..... \$					
982,782	\$ 886,514	\$ 792,931	\$		
512,644	\$ 402,942	=====			
=====					
=====					

(a) 2001 includes \$22.5 million on pretax charges for write-downs, reserves and recoveries and \$26.2 million of income from dispositions of nonstrategic assets and the settlement of a contingency related to a former affiliate. 2001 also includes the financial results of Harveys Casino Resorts from its July 31, 2001, date of acquisition.

- (b) 2000 includes \$220.0 million in pretax reserves for receivables not expected to be recovered from JCC Holding Company and its subsidiary, Jazz Casino Company, LLC, \$6.1 million in pretax charges for other write-downs, reserves and recoveries and \$39.4 million in pretax write-offs and reserves for our investment in, loans to and net estimated exposure under letters of credit issued on behalf of National Airlines, Inc. 2000 also includes the financial results of Players International, Inc. from its March 22, 2000, date of acquisition.
- (c) 1999 includes \$2.2 million in pretax charges for write-downs, reserves and recoveries and \$59.8 million of gains from sales of our equity interests in nonconsolidated affiliates. 1999 also includes the financial results of Rio Hotel & Casino, Inc. from its January 1, 1999, date of acquisition.
- (d) 1998 includes \$7.5 million in pretax charges for write-downs and reserves and a \$13.2 million gain on the sale of equity interests in a nonconsolidated restaurant subsidiary. 1998 also includes the financial results of Showboat, Inc. from its June 1, 1998, date of acquisition.
- (e) 1997 includes \$13.8 million in pretax charges for write-downs and reserves and a \$37.4 million gain on the sale of equity in a New Zealand subsidiary.
- (f) Revenues for years 1997 through 2000 have been restated to reflect the impact of implementing new accounting guidance issued in and effective for first quarter 2001, which requires the cost of the cash-back component of the Company's Total Rewards program to be treated as a reduction of revenues. Previously, these costs had been treated as a casino expense.
- (g) As discussed in Note 12 to the Consolidated Financial Statements in the 2001 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

2

EXHIBIT 12 (CONTINUED)

fixed charges associated with these guarantees as follows: 2001, \$4.4 million; 2000, \$5.7 million; 1999, \$6.2 million; 1998, \$7.9 million; and 1997, \$7.8 million.

- (h) For purposes of computing this ratio, "earnings" consist of income before income taxes plus fixed charges (excluding capitalized interest) and minority interests (relating to subsidiaries whose fixed charges are included in the computation), excluding equity in undistributed earnings of less than 50% owned investments. "Fixed charges" include interest whether expensed or capitalized, amortization of debt expense, discount or premium related to indebtedness and such portion of rental expense that we deem to be representative of interest. As required by the rules which govern the computation of this ratio, both earnings and fixed charges are adjusted where appropriate to include the financial results for the company's nonconsolidated majority-owned subsidiaries. Accordingly, 1998 has been adjusted to include the financial results and fixed charges of the East Chicago partnership from its June 1, 1998, date of acquisition.
- (i) EBITDA consists of earnings before interest, taxes, depreciation and amortization. Property EBITDA consists of operating profit before depreciation and amortization, write-downs, reserves and recoveries and project opening costs. Property EBITDA is a supplemental financial measure used by management, as well as industry analysts, to evaluate our operations. However, property EBITDA should not be construed as an alternative to Income from operations (as an indicator of our operating performance) or to cash flows from operating activities (as a measure of liquidity) as determined in accordance with generally accepted accounting principles and presented in the accompanying Consolidated Financial Statements. All companies do not calculate EBITDA in the same manner. As a result, property EBITDA as presented by our Company may not be comparable to similarly titled measures presented by other companies.

3

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

COMPOUND (IN
 MILLIONS,
 EXCEPT
 COMMON STOCK
 DATA AND
 FINANCIAL
 GROWTH
 PERCENTAGES
 AND RATIOS)
 2001(a)
 2000(b)
 1999(c)
 1998(d)
 1997(e) RATE

- OPERATING
 DATA

Revenues(f)
 \$3,709.0
 \$3,329.8
 \$2,894.1
 \$1,907.9
 \$1,561.7

24.1% Income
 from
 operations

581.0 282.7
 481.0 287.8
 213.5 28.4%

Income
 before
 income taxes
 and minority
 interest

348.3 17.8
 359.6 203.3
 183.6 17.4%

Income
 (loss)
 before
 extraordinary

losses 209.0
 (11.3) 219.5
 121.7 107.5

18.1% Net
 income

(loss) 209.0
 (12.1) 208.5
 102.0 99.4

20.4% COMMON
 STOCK DATA

Earnings
 (loss) per
 share-

diluted
 Before
 extraordinary

losses 1.81
 (0.09) 1.71
 1.19 1.06

14.3% Net
 income

(loss) 1.81
 (0.10) 1.62
 1.00 0.98

16.6%

FINANCIAL
 POSITION

Total assets
 6,128.6
 5,166.1

4,766.8	
3,286.3	
2,005.5	
32.2%	Long-term debt
3,719.4	
2,835.8	
2,540.3	
1,999.4	
924.4	41.6%
Stockholders' equity	
1,374.1	
1,269.7	
1,486.3	
851.4	735.5
16.9%	CASH FLOWS
Provided by operating activities	
773.9	547.6
490.1	297.9
255.1	32.0%
Property EBITDA(g)	
982.8	886.5
792.9	512.6
402.9	25.0%
Investments in land, buildings, riverboats and equipment additions	
529.8	421.4
340.5	140.4
229.5	23.3%
FINANCIAL PERCENTAGES AND RATIOS	
Return on revenues-continuing(f)	
5.6%	(0.3)%
7.6%	6.4%
6.9%	Return on average invested capital(h)
7.3%	2.9%
8.1%	8.0%
8.6%	Return on average equity(h)
15.5%	(0.8)%
15.5%	15.3%
14.9%	Ratio of earnings to fixed charges
2.1	
2.2	2.7 2.4
2.8	

(a) 2001 includes \$22.5 million in pretax charges for write-downs, reserves and recoveries (see Note 7) and \$26.2 million of income from dispositions of nonstrategic assets and the settlement of a contingency related to a former affiliate. 2001 also includes the financial results of Harveys Casino Resorts from its July 31, 2001, date of acquisition.

(b) 2000 includes \$220.0 million in pretax reserves for receivables not expected to be recovered from JCC Holding Company and its subsidiary, Jazz Casino Company LLC, \$6.1 million in pretax charges for other write-downs, reserves and recoveries (see Note 7) and \$39.4 million in pretax write-offs and reserves for our investment in, loans to and net estimated exposure under letters of credit issued on behalf of National Airlines, Inc. 2000 also includes the financial results of Players International, Inc. from its March 22, 2000, date of acquisition.

- (c) 1999 includes \$2.2 million in pretax charges for write-downs, reserves and recoveries (see Note 7) and \$59.8 million of gains from sales of our equity interests in nonconsolidated affiliates. 1999 also includes financial results of Rio Hotel & Casino, Inc. from its January 1, 1999, date of acquisition.
- (d) 1998 includes \$7.5 million in pretax charges for write-downs and reserves and a \$13.2 million gain on the sale of equity interests in a nonconsolidated restaurant subsidiary. 1998 also includes the financial results of Showboat, Inc. from its June 1, 1998, date of acquisition.
- (e) 1997 includes \$13.8 million in pretax charges for write-downs and reserves and a \$37.4 million gain on the sale of equity in a New Zealand subsidiary.
- (f) Revenues for years 1997 through 2000 have been restated to reflect the impact of implementing new accounting guidance issued in and effective for first quarter 2001, which requires the cost of the cash-back component of the Company's Total Rewards program to be treated as a reduction of revenues. Previously, these costs had been treated as a casino expense.
- (g) EBITDA consists of earnings before interest, taxes, depreciation and amortization. Property EBITDA consists of Operating profit before depreciation and amortization, write-downs, reserves and recoveries and project opening costs. See Exhibit 12 to our 2001 Form 10-K for the computation of Property EBITDA. Property EBITDA is a supplemental financial measure used by management, as well as industry analysts, to evaluate our operations. However, Property EBITDA should not be construed as an alternative to Income from operations (as an indicator of our operating performance) or to Cash flows from operating activities (as a measure of liquidity) as determined in accordance with generally accepted accounting principles and presented in the accompanying Consolidated Financial Statements. All companies do not calculate EBITDA in the same manner. As a result, Property EBITDA as presented by our Company may not be comparable to similarly titled measures presented by other companies.
- (h) Ratio computed based on Income before extraordinary items.

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

Harrah's Entertainment, Inc., a Delaware corporation, operates casinos in more markets in the United States than any other casino company. We were incorporated on November 2, 1989, and prior to such date operated under predecessor companies.

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

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

Our Company achieved record revenues, operating income and net income in 2001, attesting to the success of our strategy to improve our results through same-store sales growth, geographic diversity and targeted capital investments. Some significant items that affected our 2001 results are listed below. These items are discussed in greater detail in our discussion of our operating results and debt and liquidity.

- o Same-store sales for owned and managed properties grew 5.7% in 2001.
- o On July 31, 2001, we completed our acquisition of Harveys Casino Resorts ("Harveys"), which expanded our geographic distribution to 25 casinos in 12 states.
- o Several properties completed upgrades and additions in 2001 and other expansions were begun or announced. We believe that our strategic expansion projects ultimately generate additional customer demand and higher cash flow.
- o In January 2001, and again in June 2001, HOC completed private placement debt offerings of \$500 million each. The private placement notes were subsequently exchanged for public notes. We currently have the highest credit rating of any company in the casino industry.
- o The plan of reorganization of JCC Holding Company and its subsidiary, Jazz

Casino Company, LLC (collectively, "JCC") was approved by the bankruptcy court on March 19, 2001, and was effective March 29, 2001. JCC owns and operates a land-based casino in New Orleans, Louisiana, which is managed by a subsidiary of Harrah's Entertainment. We also hold 49% of the common stock of JCC.

- o Our Company, like most in our industry, was affected by reduced travel as a result of the September 11, 2001, terrorist attacks; however, we believe that our unique consumer marketing approach to our business and our geographic diversity helped mitigate the impact of the attacks and the subsequent disruptions in airline service and reluctance of many people to fly to resort destinations.

OVERALL
OPERATING
RESULTS (IN
MILLIONS,
EXCEPT
EARNINGS PER
SHARE) 2001
2000 1999 --

Casino revenues	\$3,235.8	\$2,852.0
Total revenues	3,709.0	3,329.8
Income from operations	581.0	282.7
Income (loss) before extraordinary items	481.0	209.0
Net income (loss)	(11.3)	219.5
Earnings (loss) per share-diluted	209.0	(12.1)
Before extraordinary items	1.81	(0.09)
Net income (loss)	1.81	(0.10)
Operating margin	15.7%	8.5%
		16.6%

Total revenues grew 11.4% in 2001 as a result of our acquisition of Harveys and revenue growth at most of our properties, despite the impact on travel of the September 11, 2001, terrorist attacks. In the week following September 11, gaming revenues and hotel occupancy dropped at our properties and we felt the immediate impact of reduced travel, particularly in resort destinations. However, by the fourth quarter, revenues rebounded to near-normal levels at many of our properties, particularly in drive-in markets. We attribute our Company's quick recovery from September 11 and our improved results in 2001 to our consumer-marketing strategy, geographic diversity and disciplined capital improvement projects. This continues the trends we reported for 2000 and 1999 and confirms the success of our strategy of growing same-store sales through customer loyalty. Although strategic acquisitions contributed to our revenue growth over the three years, "same-store" revenue growth of 5.7% was achieved in 2001. We define "same-store" revenue growth as the increase in gaming revenue contributed by properties that were included in our results in each of the year-over-year periods that are being compared.

In 2001, our income from operations, net income and diluted earnings per share increased significantly over our 2000 results, due primarily to 2000 charges for reserves of \$220 million for receivables not expected to be recovered in JCC's reorganization plan and write-offs and reserves of \$39.4 million for our investment in and loans to National Airlines, Inc. ("NAI"). Comparison of our year-over-year results is complicated by these unusual charges in 2000. The table below presents a pro forma comparison of our operating results, which have been adjusted to exclude 2001 gains from the condemnation and sale of nonstrategic real estate; 2000 charges for JCC and NAI; 2001 loss and 1999 gains from sales of equity interests in subsidiaries, and the estimated tax effects of those events in each year.

PERCENTAGE INCREASE/(DECREASE) (IN MILLIONS, EXCEPT EARNINGS PER SHARE) 2001 2000 1999 01 VS 00 00 VS 99 ----- -----			
- Total revenues	\$3,709.0	\$3,329.8	
	\$2,894.1		11.4%
15.1% Income from operations	581.0	502.7	15.6%
4.5% Income before extraordinary items	200.3	164.0	(9.8)%
Net income	200.3	163.3	22.7%
(4.4)% Earnings per share-diluted Before extraordinary items	1.73	1.38	25.4% (2.1)%
Net income	1.73	1.37	26.3%
3.0% Operating margin	15.7%	15.1%	0.6pts (1.5)pts

STRATEGIC ACQUISITIONS

As part of our growth strategy and to further enhance our geographic distribution, strengthen our access to target customers and leverage our technological and centralized services infrastructure, we have acquired four casino companies in the past four years. All four acquisition transactions were accounted for as purchases. The following provides a brief review of our acquisition activities.

NUMBER TOTAL GOODWILL OF COMPANY DATE ACQUIRED PURCHASE PRICE(a) ASSIGNED CASINOS GEOGRAPHIC LOCATION - -- ----- ----- ----- ----- ----- ----- ----- ----- ----- -----
Showboat, Inc. June 1998 \$ 1,045 million \$322

million 2(b)
Atlantic
City, New
Jersey East
Chicago,
Indiana Rio
Hotel &
January 1999
\$ 987 million
\$ 93 million
1 Las Vegas,
Nevada
Casino, Inc.
Players March
2000 \$ 439
million \$204
million 3
Lake Charles,
Louisiana
International,
Metropolis,
Illinois Inc.
St. Louis,
Missouri
Harveys
Casino July
2001 \$ 661
million \$266
million 4
Central City,
Colorado
Resorts
Council
Bluffs, Iowa
(2) Lake
Tahoe, Nevada

- (a) Total purchase price includes the market value of debt assumed.
- (b) Interests in two other casinos that were included in the acquisition were subsequently sold (see discussion below).

SHOWBOAT, INC. Our June 1, 1998, acquisition of Showboat, Inc. ("Showboat") has given us a stronger presence in the two key markets of Atlantic City and Chicago. In Atlantic City, Showboat provides us with a strong additional brand in a strategic Boardwalk location that complements our Harrah's brand location in the Marina district. In the Chicago market, the combination of Showboat's riverboat casino complex southeast of Chicago in neighboring Indiana, which has been re-branded as a Harrah's casino, and Harrah's in Joliet, Illinois, southwest of Chicago, makes it possible for us to seek the loyalty of a broader share of visitors from the Chicago area.

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

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

RIO HOTEL & CASINO, INC. We completed our merger with Rio on January 1, 1999, issuing approximately 25 million shares of our common stock to acquire all of Rio's outstanding shares. The addition of the Rio to the family of Harrah's Entertainment properties provides our customers who frequent Las Vegas a choice between two distinct, high-quality experiences: a high-quality Las Vegas strip destination and a high-quality resort experience. In addition to the Rio property, our acquisition also included Rio Secco, an 18-hole championship golf course, and approximately 35 acres adjacent to the Rio, which is available for further development.

PLAYERS INTERNATIONAL, INC. On March 22, 2000, we completed our acquisition of

Players, which operated a dockside riverboat casino on the Ohio River in Metropolis, Illinois; two cruising riverboat casinos in Lake Charles, Louisiana; two dockside riverboat casinos in Maryland Heights, Missouri; and a horse racetrack in Paducah, Kentucky. Players and Harrah's Entertainment jointly operated a landside hotel and entertainment facility at the Maryland Heights property, a suburb of St. Louis. The operations of the Players facility in Maryland Heights were consolidated with the adjacent Harrah's operation immediately after the acquisition, and the Lake Charles and Metropolis facilities were subsequently converted to the Harrah's brand.

HARVEYS CASINO RESORTS. On July 31, 2001, we completed our acquisition of Harveys. We paid approximately \$294 million for the equity interests in Harveys, assumed approximately \$350 million in outstanding debt and paid approximately \$17 million in acquisition costs. We also assumed a \$50 million contingent liability. This liability is contingent on the results of a referendum to be decided by the voters in Pottawattamie County, Iowa, in November 2002. If the referendum passes, we will pay an additional \$50 million in acquisition costs. If the referendum does not pass, the excursion gambling boat license may remain valid until January 26, 2004; however, the Bluffs Run Casino would have to cease gaming operations in a relatively short time after the referendum date. Management believes that the referendum will pass; however, in the event the referendum does not pass and gaming operations cease in Pottawattamie County, we would likely have a significant impairment related to the carrying value of our assets in Iowa. We financed the acquisition, and retired Harveys assumed debt, with borrowings under our bank credit facility. The purchase included the Harveys Resort & Casino in Lake Tahoe, Nevada, the Harveys Casino Hotel and the Bluffs Run Casino, both in Council Bluffs, Iowa and the Harveys Wagon Wheel Hotel/Casino in Central City, Colorado. The addition of the Harveys properties expanded our geographic distribution to 25 casinos in 12 states, increased our nationwide casino square footage by almost 15% and added 1,109 hotel rooms, 149 table games and 5,768 slot machines to serve our customers. The transaction will introduce Harrah's and our Total Rewards customer-loyalty program to 1.7 million potential new customers within 150 miles of Council Bluffs and will strengthen our relationships with customers throughout the Nevada-Northern California gaming market.

REGIONAL RESULTS AND DEVELOPMENT PLANS

In the following discussions of the operating results for our properties, we define operating profit as revenues less direct operating expenses and depreciation and amortization, excluding amortization of intangible assets.

WESTERN REGION			
PERCENTAGE			
INCREASE/(DECREASE)			
(IN MILLIONS) 2001			
2000	1999	01	VS 00
00	VS 99		
-----	-----		
-----	-----		
Casino revenues \$			
786.3	\$ 726.8		
730.1	8.2%	(0.5)%	
Total revenues			
1,203.5	1,129.7		
1,136.5	6.5%		
(0.6)%	Operating		
profit	130.8	127.9	
182.4	2.3%	(29.9)%	
Operating margin			
10.9%	11.3%	16.0%	
(0.4)pts	(4.7)pts		

Because many of our Western Region properties are located in resort destination markets, our Western Region felt an ongoing impact of the September 11, 2001, terrorist attacks and the subsequent effect on air travel. While occupancy levels and gaming revenues improved at these properties as compared to our operating levels immediately following the terrorist attacks, this was achieved at a higher cost as properties spent more to induce customers to visit the casinos.

Western Region results include results for five months from Harveys Lake Tahoe, which is included in the Northern Nevada discussion, and Harveys Wagon Wheel Hotel/Casino in Central City, Colorado, which contributed \$19.3 million in revenues and \$1.3 million in operating profit in 2001.

SOUTHERN NEVADA. Revenues increased in Southern Nevada in 2001 due to record revenues at Harrah's Las Vegas, which achieved a 6.6% increase over 2000 revenues despite travel disruptions to this resort destination following the September 11, 2001, terrorist attacks. Revenues at Harrah's Laughlin matched those reported in 2000, and Rio's revenues declined 0.5% from the prior year. The increase in operating income in Southern Nevada was due to improved

performance at the Rio, despite \$13 million in nonrecurring charges recorded by the Rio in 2001 to focus its operations. The focus of Rio's operations to de-emphasize international high-end table game play, which generated losses in 2000, resulted in improved results at this property.

Revenue and operating profit decreases in Southern Nevada in 2000 from 1999 were due to Rio's table games hold percentage, which ran well below historical average throughout much of 2000. In addition to the revenue shortfalls, Rio's operating margin was impacted by increased entertainment costs. Our Harrah's-brand Southern Nevada properties posted a 10.2% increase in revenues in 2000 over 1999 while operating profits for these properties were up 24.3% over 1999. These increases were driven by growth in cross-market play, more effective marketing programs and improved margins.

NORTHERN NEVADA. The increase in Northern Nevada revenues in 2001 was due to the inclusion of operating results for Harveys Lake Tahoe for the five months subsequent to our acquisition of Harveys. Excluding revenues contributed by Harveys, Northern Nevada revenues were down 6.4%, as a result of the interruption in airline service and the ensuing reduction in air travel following the events of September 11 and lower than normal retail, especially nontracked, walk-in business in northern Nevada due to the weak economy in the area's major California feeder market. Operating profit dropped 18.1% in Northern Nevada from 2000 due to increased costs associated with efforts to return revenue levels to normal levels.

Northern Nevada posted record revenues in 2000, up 7.2% from 1999 revenues, and operating profit increased 14.3% over 1999. These increases were due to property enhancements in Reno and Lake Tahoe and to execution of our consumer marketing strategy.

CENTRAL REGION			
PERCENTAGE			
INCREASE/(DECREASE)			
(IN MILLIONS) 2001			
2000	1999	01 VS 00	
00	VS 99	-----	

Casino revenues			
\$1,698.0	\$1,381.6		
\$970.9	22.9%	42.3%	
Total revenues			
1,707.6	1,392.8		
974.2	22.6%	43.0%	
Operating profit			
361.4	304.8	201.8	
	18.6%	51.0%	
Operating margin			
21.2%	21.9%	20.7%	
	(0.7)pts	1.2pts	

The addition of the Harveys properties in Iowa, a full year of operations of the properties acquired in the Players acquisition and record performance at several of our Central Region properties combined to give the Central Region impressive increases in revenue and operating profit in 2001. Our growth was also enhanced by recent capital investments that generated strong customer demand and higher cash flow.

The revenue and operating profit increases reported by the Central Region for 2000 versus 1999 were due to the acquisition of Players in late March 2000, and to record performances at several of our properties in the region. Excluding the impact of the Players acquisition, Central Region gaming revenues increased 13.9% in 2000 over the prior year and drove correlating increases in net revenues and operating profit.

CHICAGOLAND/ILLINOIS. For the third straight year, our Chicagoland properties achieved record revenues and operating profit. Revenues at Harrah's Joliet increased 6.1%, however, operating profit at that property decreased 3.8% due to the accelerated depreciation on riverboats that were removed from service in late September 2001, when the property was converted from riverboats to barges. Following the decision in mid-2000 to remove the two riverboats from service, depreciation was accelerated to reduce the riverboats to their estimated salvage values during their expected remaining service life. Revenues at Harrah's East Chicago increased 7.2% and operating profit increased 8.6%. In late December, 10 floors of East Chicago's new 15-floor hotel opened. The remaining floors are expected to open in first quarter 2002.

Year 2000 revenues and operating income for our Chicagoland properties were higher by 25.4% and 36.3%, respectively, from 1999. Harrah's Joliet benefited from the mid-1999 elimination of cruise scheduling and ticketing and the fourth quarter 1999 opening of the hotel at that property. Excluding the accelerated depreciation on the riverboats that were taken out of service in 2001, Harrah's Joliet's operating profit increased 43.5% in 2000. Harrah's East Chicago's revenues increased 19.4% and operating profit increased 37.9% in 2000 over 1999. We believe that these results were driven by the March 1999 re-branding of this property to the Harrah's brand and the successful execution of the Company's customer-loyalty strategy in East Chicago.

Harrah's Metropolis, which was acquired in the Players transaction in

March 2000, contributed \$118.0 million in revenues and \$31.6 million in operating profit in 2001 compared to \$85.3 million in revenues and \$27.2 million in operating income for the period subsequent to its acquisition in 2000. Construction was completed in September 2001 to renovate the Metropolis facility, including replacing the existing riverboat with a larger, refurbished riverboat that had previously been used at our North Kansas City property. As a component of this project, the property was converted from the Players to the Harrah's brand.

LOUISIANA. Revenues at Harrah's Shreveport increased 32.1% in 2001. These revenue gains were aided by the new 514-room hotel and player amenities that opened in the first quarter of 2001. Increased promotional expenses, cost inefficiencies associated with the staggered opening of the hotel, increased depreciation associated with the newly constructed assets and a one percentage point increase in gaming taxes that was effective in second quarter 2001 combined to cause margins to decline, resulting in only a 1.4% increase in operating profit. The gaming tax rate at this property will increase another one percentage point in 2002 and another one percentage point in 2003.

Harrah's Shreveport's 2000 revenues declined 0.7% and its operating profit declined 16.4% from 1999 levels. These declines were the result of construction disruptions and costs of promotions mounted to sustain business during construction activities.

The Lake Charles property, which was acquired in the Players acquisition in March 2000 and was re-branded to the Harrah's brand in fourth quarter 2000, contributed \$164.3 million in revenues and \$28.7 million in operating profit in 2001 compared to \$123.1 million in revenues and \$21.2 million in operating profit for the slightly more than nine months that we owned the property in 2000. A major refurbishment of the hotel at this property, which was conducted in 2001, created construction disruptions and loss of available rooms during the construction period. Also affecting operating profit was an increase in gaming taxes from 18.5% to 21.5% of gaming revenues, which was effective in the second quarter of 2001. No further gaming tax rate increases are expected at this time.

MISSISSIPPI. Combined revenues from our Mississippi operations increased 2.8% in 2001 compared to 2000. This follows a 1.3% decrease in 2000 from 1999. Operating profit from our Mississippi properties increased 47.3% in 2001 over 2000 as a result of the higher revenues and increased cost efficiency efforts. In 2000, operating profit fell 13.5% from 1999 levels.

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

MISSOURI. For the second consecutive year, record revenues and operating profit were achieved by our Harrah's North Kansas City property. Revenues and operating profit at Harrah's North Kansas City increased 4.7% and 4.7%, respectively, over 2000 due to effective marketing, cost management efforts and facilities enhancements at the property. Construction was completed at the end of the second quarter of 2001 on the new casino space at North Kansas City, which consolidated all of the gaming space into a single facility. The riverboat that had been used since 1994 was refurbished and moved to our Metropolis property.

Year 2001 revenues at Harrah's St. Louis were 21.2% higher than 2000 revenues, and operating profit was up 32.8% compared to 2000. These increases reflect the March 22, 2000, acquisition of Players and operational synergies achieved with the combination of the Harrah's and Players operations. Year 2000 revenues at Harrah's St. Louis were 75.0% higher than in 1999 and operating profit was up 54.6% due principally to the acquisition of Players in March 2000 and the integration of Players St. Louis and the Harrah's/Players jointly-owned shore-side facilities into our operations.

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

IOWA. The two properties in Iowa contributed \$103.6 million in revenues and \$21.2 million in operating profit for the five months since our acquisition of Harveys.

EASTERN REGION			
PERCENTAGE			
INCREASE/(DECREASE)			
(IN MILLIONS) 2001			
2000	1999	01 VS 00	
00	99	-----	--

--			
----- Casino			
revenues	\$751.0		
\$743.3	\$723.3	1.0%	
	2.8%	Total	
revenues	724.0		
723.5	702.8	0.1%	
	2.9%	Operating	
profit	183.0	182.3	
173.8	0.4%	4.9%	
	Operating margin		
25.3%	25.2%	24.7%	
	0.1pts	0.5pts	

Our Eastern Region is comprised of the operating results of Harrah's Atlantic City and the Atlantic City Showboat property. Harrah's Atlantic City achieved record revenues for the fifth consecutive year in 2001, and its operating profit, which was at a record level for the third consecutive year, increased 5.9% compared to 2000. These records were achieved despite construction disruptions during most of the year and disruptions to business due to the September 11 terrorist attacks. Construction is underway at Harrah's Atlantic City on a 452-room expansion, which will increase the hotel's capacity to more than 1,600 rooms, and on a project to create an additional 28,000 square feet of casino floor space and expand a buffet area. The hotel expansion and

the first phase of the casino expansion project are expected to be completed in the second quarter of 2002. Harrah's Atlantic City's 2000 revenues and operating profit increased 5.8% and 16.6%, respectively, over 1999 levels.

Showboat Atlantic City's revenues decreased 0.7% in 2001 and operating profit declined 12.8% from last year. This property, which is more reliant on customers who travel to Atlantic City by bus, was impacted by the September 11 terrorist attacks and construction disruptions related to reconfiguration of the casino floor. The reconfiguration of Showboat's casino floor was completed in the second quarter of 2001, a new buffet and coffee shop opened in the fourth quarter of 2001 and our tiered Total Rewards customer-loyalty program was implemented during 2001 at this property. Showboat Atlantic City's 2000 revenues were down 0.3% from 1999 levels and its operating profit was down 9.8% for the same period. In November 2001, we announced plans to construct a \$90 million, 544-room hotel tower at this property, which is expected to open in the third quarter of 2003.

MANAGED CASINOS
AND OTHER
PERCENTAGE
INCREASE/(DECREASE)
(IN MILLIONS) 2001
2000 1999 01 VS 00
00 VS 99 -----

----- Revenues
\$69.0 \$78.5 \$77.9
(12.1)% 0.8%
Operating profit
30.8 40.4 43.3
(23.8)% (6.7)%

Our Managed Casinos and Other revenues and operating profit were lower in 2001 than in 2000. Fees from Harrah's New Orleans and the Star City casino in Sydney, Australia, were less in 2001 than in 2000 due to changes in the management agreements. No management fees were recorded from Harrah's New Orleans in the first quarter of 2001 due to the bankruptcy filing of JCC. Pursuant to JCC's reorganization plan, which was effective at the end of March 2001, an amended management agreement changed the base management fee to an incentive management fee based on earnings of the business before interest expense, income taxes, depreciation, amortization and management fees. Management fees from Indian-owned casinos increased 13.5% over fees earned in 2000 due to strong performances at those properties. We have recently extended the management agreement for three Indian properties that we currently manage. Those properties and the expiration date of the current management contract are: Harrah's Cherokee, North Carolina, November 2004; Harrah's Ak-Chin, near Phoenix, Arizona, December 2004 and Harrah's Prairie Band near Topeka, Kansas, January 2008.

Managed Casinos and Other results for 2000 reflected a full year of management fees from Harrah's New Orleans, which opened in the fourth quarter of 1999 and which essentially offset lower management fee percentages as a result of renewal and extension agreements for two of the Indian-owned facilities that we manage.

In the third quarter of 2000, the Eastern Band of Cherokee Indians broke ground on a new \$63 million hotel and conference center at Harrah's Cherokee Smoky Mountain Casino in Cherokee, North Carolina. Construction of the 252-room hotel and 30,000-square foot conference center is slated for completion in second quarter 2002.

During first quarter 2000, we signed a definitive agreement with the Rincon San Luiseno Band of Mission Indians ("Rincon") to act as developer and manager for the Tribe's \$125 million casino and hotel on Rincon tribal land less than 50 miles north of San Diego, California. This location provides convenient access to metropolitan San Diego, La Jolla, Del Mar, Escondido and Orange County, California. Rincon opened a temporary casino facility in January 2001. We are providing Rincon technical services related to the development and operation of the temporary casino, but we do not manage the temporary facility. Construction of the permanent facility is underway and is expected to be completed in fourth quarter of 2002. Rincon has secured third-party financing, which we have guaranteed, for its permanent casino. We will manage the permanent facility for a fee.

An expansion to the Harrah's Ak-Chin casino opened in first quarter 2001 and includes a new 146-room hotel, an additional restaurant, meeting and banquet room facilities, a resort pool and a landscaped courtyard.

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

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

Also included in Managed Casinos and Other are our brand marketing costs. In 1998, we launched the first national brand advertising campaign by a casino company.

OTHER FACTORS
AFFECTING NET

Write-downs, reserves and recoveries include various pretax charges to record asset impairments, contingent liability reserves, project write-offs and recoveries at time of sale of previously recorded reserves for asset impairment. The components of Write-downs, reserves and recoveries were as follows:

(IN THOUSANDS)	
2001	2000
1999	-----
--	-----
-	-----
Reserves for New Orleans casino \$	
2,322	
\$220,000	\$
--	
Impairment of long-lived assets	
8,203	
5,813	
3,367	
Termination of contracts	
4,060	
2,505	--
Write-off of abandoned assets and other costs	
8,484	
2,800	569
Recoveries from previously impaired assets	
(571)	
(5,012)	
(1,701)	--
-----	-----
--	\$22,498
\$226,106	\$
2,235	
=====	
=====	
=====	

Year 2001 Project opening costs included costs incurred in connection with the integration of acquired properties into the Harrah's systems and technology and costs incurred in connection with expansion and renovation projects at various properties. Year 2000 Project opening costs included costs incurred in connection with the integration of the Players properties into the Harrah's systems and technology and costs incurred in connection with expansions at various casinos. Year 1999 Project opening costs included a fee paid in connection with the renewal of a management contract and costs related to expansions at various properties.

Corporate expense increased 4.4% in 2001 over 2000, but represented only 1.4% of revenues in 2001, which is basically level with the 1.5% of revenues reported in 2000 and 1.5% in 1999.

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

Equity in nonconsolidated affiliates in 2001 improved significantly

over 2000 losses, which reflected our share of operating losses for 2000 from JCC (\$46.0 million) and NAI (\$9.3 million). NAI and JCC filed voluntary petitions for reorganization relief in December 2000 and January 2001, respectively, triggering write-offs of our remaining investments and reserves for receivables and contingent liabilities, and our equity pick-up of the operating losses of both JCC and NAI ceased as of the end of 2000. With the implementation of JCC's reorganization plan, we resumed recording our share of JCC's results in second quarter 2001, however, our ownership interest has increased to 49% from approximately 42% last year. Our share of 1999 losses from JCC was \$23.2 million, including \$14.9 million of project opening costs. Our share of NAI's 1999 losses was \$8.8 million, including \$2.7 million of their project opening costs. With the acquisition of Rio, our ownership interest in NAI increased from 23.9% to 47.8%. During 1999, we accounted for Rio's investment in the airline as an asset-held-for-sale. Although the Rio ownership interest was still for sale during 2000, our equity pick-up percentage increased to reflect our full ownership interest. With the write-off of our remaining investment in NAI at the end of 2000 and the subsequent abandonment of all rights to our shares of NAI stock and stock purchase warrants, we ceased recording our share of NAI's results in 2001. Since the acquisition of Players in March of 2000, the St. Louis shore-side facilities are included in our St. Louis operations; therefore, Equity in losses of nonconsolidated affiliates for 2000 included our pro rata share of these facilities' losses only up to the date of the Players acquisition. Year 1999 losses from the joint venture portion of the St. Louis development were \$10.4 million.

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

Amortization of goodwill and other intangible assets increased in 2000 with the acquisition of Players and again in 2001 with the acquisition of Harveys. Because the acquisition of Harveys occurred after June 30, 2001, it is subject to Statement of Financial Accounting Standards ("SFAS") No.142, "Goodwill and Other Intangible Assets," whereby goodwill and other intangible assets with indefinite lives will not be amortized. However, certain other intangible assets with defined lives related to the Harveys acquisition are being amortized. (See Note 2 to our Consolidated Financial Statements.)

Interest expense increased in 2000 over 1999 and again in 2001 over 2000 due to debt incurred and assumed in connection with our acquisitions and stock repurchase activities.

The 2001 Gains (losses) on interests in nonconsolidated affiliates reflects the write-off of an investment in Zoho Corporation. The 2000 Gains (losses) on interests in nonconsolidated affiliates reflects the charges for reserves related to NAI and the loss on an investment. In 1999, we sold our shares of Star City casino and recorded a pretax gain of \$43.5 million. We also sold our interest in Sodak Gaming, Inc. to a gaming equipment manufacturing company and recorded a pretax gain of \$16.3 million.

The increase in Other income in 2001 was primarily due to a gain on the settlement on the 1998 condemnation of land in Atlantic City, the sale of nonstrategic land in Nevada and resolution of a contingency related to a former affiliate. The decrease in Other income in 2000 was primarily due to lower interest income on the cash-surrender-value of life insurance policies.

The effective tax rate for 2001, as well as for 2000 and 1999, is higher than the federal statutory rate primarily due to state income taxes and that portion of our goodwill amortization that is not deductible for tax purposes.

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

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

CAPITAL SPENDING AND DEVELOPMENT

Part of our plan for growth and stability includes disciplined capital improvement projects, and 2001 has been a year of significant capital reinvestment in our properties.

In addition to the specific development and expansion projects discussed in Regional Results and Development Plans, we perform ongoing refurbishment and maintenance at our casino entertainment facilities to maintain our quality standards. We also continue to pursue development and acquisition opportunities for additional casino entertainment facilities that meet our strategic and return on investment criteria. Prior to the receipt of necessary regulatory approvals, the costs of pursuing development projects are expensed as incurred. Construction-related costs incurred after the receipt of necessary approvals are capitalized and depreciated over the estimated useful life of the resulting asset. Project opening costs are expensed as incurred.

Our capital spending for 2001 totaled approximately \$550.5 million, excluding the costs of our acquisition of Harveys. For the year 2000, our capital spending, excluding the costs of our acquisition of Players and the purchase of JCC's debt, was \$568.3 million. For the year 1999, our capital spending totaled \$430.1 million, excluding the costs of our merger with Rio and our acquisition of the additional ownership interest in the East Chicago partnership. Estimated total capital expenditures for 2002 are expected to be between \$400 million and \$500 million. Our planned development projects, if they go forward, will require, individually and in the aggregate, significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion and the commencement of operations of casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. Cash needed to finance projects currently under development as well as additional projects being pursued is expected to be made available from operating cash flows, the Bank Facility (see Debt and Liquidity), joint venture partners, specific project financing, guarantees of third-party debt and, if necessary, additional debt and/or equity offerings.

DEBT AND LIQUIDITY

BANK FACILITY

The Company has revolving credit and letter of credit facilities (the "Bank Facility"), which provide us with borrowing capacity of \$1.853 billion. The Bank Facility consists of a five-year \$1.525 billion revolving credit and letter of credit facility maturing in 2004 and a separate \$328 million revolving credit facility, which is renewable annually at the borrower's and

effective interest rate and/or lengthen maturities. The following table summarizes the debt obligations that we have retired over the last three years.

(IN
THOUSANDS)
ISSUER DATE
RETIRED
DEBT
EXTINGUISHED
FACE VALUE
RETIRED - -

--- Harveys
September
2001
10.625%
Senior
Subordinated
Notes due
2006
\$150,000
Showboat
August 2001
13% Senior
Subordinated
Notes due
2009 2,100
Harveys
July 2001
Credit
facility
due 2004
192,000
Players
June 2000
10.875%
Senior
Notes due
2005
150,000
Showboat
June 2000
9.25% First
Mortgage
Bonds due
2008 56,445
SMCP March
1999 13.5%
First
Mortgage
Notes due
2003
140,000 Rio
May 1999
10.625%
Senior
Subordinated
Notes due
2005
100,000 Rio
May 1999
9.5% Senior
Subordinated
Notes due
2007
125,000
SMCP July
1999
Capital
lease
obligations
9,210

SHORT-TERM DEBT

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

In a program designed for short-term borrowings at lower interest rates than the rates paid under our Bank Facility, we have entered into an uncommitted line of credit agreement with a lender whereby we can borrow up to \$35 million for periods of ninety days or less. At December 31, 2001, we had borrowed \$31 million under this agreement. Borrowings bear interest at current market rates. Interest rates on amounts borrowed under these agreements during 2001 ranged from 2.4% to 7.6%. This agreement does not decrease our borrowing capacity under our Bank Facility.

EQUITY REPURCHASE PROGRAMS

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

PLAN	NUMBER OF NUMBER OF AVERAGE PRICE	AUTHORIZED SHARES	AUTHORIZED SHARES	PURCHASED PER SHARE
July 1999	10.0 million	10.0 million	\$23.44	
April 2000	12.5 million	12.5 million		
25.08 July 2001	6.0 million	2.1 million	25.46	

The July 2001 authorization expires December 31, 2002. The repurchases were funded through available operating cash flows and borrowings from our Bank Facility.

SHORT-TERM FINANCING NEEDS

Our cash and marketable securities totaled approximately \$361.5 million at December 31, 2001. We believe that our cash and marketable securities balance, our cash flow from operations and the financing sources discussed herein, will be sufficient to meet our normal operating requirements during the next twelve months. We continue to review additional opportunities to acquire or invest in companies, properties and other investments that are compatible with our existing business. We could use cash, the financing sources discussed herein and financing sources that subsequently become available, to fund additional acquisitions or investments. In addition, we may consider issuing additional debt or equity securities in the future to fund potential acquisitions or growth or to refinance existing debt. If a material acquisition or investment is completed, our operating results and financial condition could change materially in future periods.

GUARANTEES OF THIRD-PARTY DEBT AND OTHER COMMITMENTS

The Company has guaranteed an annual payment obligation of JCC owed to the State of Louisiana of \$50 million in the first year (\$12.3 million remained at December 31, 2001) and \$60 million for three subsequent years. We receive a fee of 2% of the average amount at risk for providing this guarantee. We also hold approximately \$51 million of the new debt of JCC, which replaced \$81.6 million owed to us prior to the JCC reorganization. We are also providing a \$35 million revolving credit facility to JCC at market terms. At December 31, 2001, no funds were outstanding from JCC under the revolving credit facility.

As of December 31, 2001, we are exposed to up to \$12 million of liability under a letter of credit on behalf of NAI, which expires on February 19, 2002. We have an agreement with another investor of NAI whereby that investor is obligated to reimburse us for approximately 56% of amounts that we may pay under the letter of credit and that we funded under another letter of credit. During second quarter 2001, a subsidiary of the Company filed a lawsuit against the other investor for breach of contract due to the investor's failure to reimburse the Company for his share of the \$8.6 million we have paid against the second letter of credit. As contractually permitted, the guarantor elected to submit the issue to arbitration. A ruling from the arbitrator is pending. If we are required to fund under the remaining letter of credit and are unsuccessful in collecting from the other investor, we would record additional losses of up to \$12 million for NAI.

In addition to guarantees and commitments related to JCC and NAI, the agreements pursuant to which we manage casinos on Indian lands contain provisions required by law that provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled repayments of borrowings for development costs. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. Such advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. Our aggregate monthly commitment pursuant to the contracts for the three managed Indian-owned facilities now open, which extend for periods of up to 73 months from December 31, 2001, is \$1.1 million.

We may guarantee all or part of the debt incurred by Indian tribes with which we have entered a management contract to fund development of casinos on the Indian lands. For all existing guarantees of Indian debt, we have obtained a first lien on certain personal property (tangible and intangible) of the casino enterprise. There can be no assurance, however, that the value of such property would satisfy our obligations in the event these guarantees were enforced. Additionally, we have received limited waivers from the Indian tribes of their sovereign immunity to allow us to pursue our rights under the contracts between the parties and to enforce collection efforts as to any assets in which a security interest is taken. The aggregate outstanding balance of such debt as of December 31, 2001, was \$130.2 million.

With the Harveys acquisition in July 2001, we assumed a \$50 million contingent liability that may become due as part of the consideration paid for the net assets of Harveys. The contingent payment depends on the results of a referendum to be decided by the voters of Pottawattamie County, Iowa, in November 2002.

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS

AFTERMATH OF THE SEPTEMBER 11, 2001 ATTACKS

We cannot predict the length or severity of the economic downturn that was precipitated by the September 11, 2001, terrorist attacks. A significant period of reduced discretionary spending and disruptions in airline travel and business conventions could have a material adverse impact on our results of operations. In addition, the September 11, 2001 attacks, the potential for future terrorist attacks, the national and international responses to terrorist attacks and other acts of war or hostility have created many economic and political uncertainties, which could adversely affect our business and results of operations in ways that cannot presently be predicted. We will be predominantly uninsured for losses and interruptions caused by terrorist acts and acts of war.

COMPETITIVE PRESSURES

Due to the limited number of new markets opening for development in recent years, most casino operators have been reinvesting in existing markets to

attract new customers, thereby increasing competition in those markets. As companies have completed 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 Entertainment, have announced plans for additional developments or expansions in some markets.

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

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

At this time, the ultimate impacts that the New York Compacts or the California Compacts may have on the industry or on our Company are uncertain. Other states are also considering legislation enabling the development and operation of casinos or casino-like operations.

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

POLITICAL UNCERTAINTIES

The casino entertainment industry is subject to political and regulatory uncertainty. From time to time, individual jurisdictions have also considered legislation or referendums, which could adversely impact our operations. The likelihood or outcome of similar legislation and referendums in the future is difficult to predict.

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

EFFECTS OF INFLATION

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

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We prepare our Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States. Certain of our accounting policies, including the estimated lives assigned to our assets, the determination of bad debt, asset impairment and self insurance reserves, the purchase price allocations made in connection with our acquisitions and the calculation of our income tax liabilities, require that we apply significant judgment in defining the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. Our judgments are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. There can be no assurance that actual results will not differ from our estimates. To provide an understanding of the methodology we apply, our significant accounting policies are discussed where appropriate in this discussion and analysis and in the notes to our Consolidated Financial Statements.

RECENTLY ISSUED AND PROPOSED ACCOUNTING STANDARDS

During first quarter 2001, the Emerging Issues Task Force reached a consensus on the portion of Issue 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future," which addresses the income statement classification of the value of the points redeemable for cash awarded under point programs like our Total Rewards program. Per the consensus, which for our Company was effective retroactively to January 1, 2001, with prior year restatement also required, the cost of these programs should be reported as a contra-revenue, rather than as an expense. Debate continues on a number of other facets of Issue 00-22 which could have an impact on our financial statements. We historically reported the costs of such points as an expense, so we have reclassified these costs to be contra-revenues in our Consolidated Statements of Operations to comply with the consensus. The amounts of expense reclassified for 2000 and 1999 were \$141.4 million and \$130.3 million, respectively. These reclassifications had no impact on Income from operations, Net income (loss) or Earnings (loss) per share.

The Financial Accounting Standards Board ("FASB") has issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires all business combinations initiated after June 30, 2001, including our acquisition of Harveys, to be accounted for using the purchase method. SFAS No.142 provides new guidance on the recognition and amortization of intangible assets, eliminates the amortization of goodwill and requires annual assessments for impairment of goodwill by applying a fair-value-based test. We have not yet completed our analysis to determine the effect SFAS No. 142 may have on our financial statements; however, it is likely that an impairment charge will be necessary for a portion of the goodwill recorded on our books related to prior acquisitions. Upon adoption of SFAS No. 142, our net income will no longer reflect amortization of goodwill or other intangible assets with indefinite lives, however, certain other intangible assets will continue to be amortized. Net income could also be impacted by any charge for impairment of goodwill. SFAS No. 142 is effective for years beginning after December 15, 2001. Early adoption is not permitted.

During third quarter 2001, the FASB also issued SFAS No. 143, "Accounting for Asset Retirement Obligations" and SFAS No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets." For our Company, SFAS No. 143 will be effective in 2003 and SFAS No. 144 will be effective in 2002. We are currently evaluating the provisions of these two recently issued accounting pronouncements and have not yet determined the impact that their adoption will have on our results of operations or financial position.

PRIVATE SECURITIES LITIGATION REFORM ACT

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

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

- o the effect of economic, credit and capital market conditions on the economy in general, and on gaming and hotel companies in particular;
- o construction factors, including zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters and building permit issues;
- o our ability to timely and cost effectively integrate into our operations the companies that we acquire;
- o access to available and feasible financing;
- o changes in laws or regulations, third-party relations and approvals, and decisions of courts, regulators and governmental bodies;
- o litigation outcomes and judicial actions, including gaming legislative action, referenda and taxation;
- o abnormal gaming holds; and
- o the effects of competition, including locations of competitors and operating and market competition.

Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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

DECEMBER 31, --	-----
2001	2000
-----	-----
--- ASSETS	
Current assets	
Cash and cash equivalents \$	
361,470	\$ 299,202
Receivables, less allowance for doubtful accounts of	
\$61,150	and \$49,357
110,781	122,050
Deferred income taxes (Note 9)	
45,319	35,126
Income tax refunds receivable	
28,326	56,132
Prepayments and other	
48,927	48,107
Inventories	
22,875	22,816
-----	-----
----- Total current assets	
617,698	583,433
-----	-----
----- Land, buildings, riverboats and	

equipment Land
and land
improvements
766,401 705,393
Buildings,
riverboats and
improvements
3,200,493
2,652,867
Furniture,
fixtures and
equipment
1,208,706
974,233
Construction in
progress
164,294 248,760

5,339,894
4,581,253 Less:
accumulated
depreciation
(1,280,564)
(1,084,884) ---

----- 4,059,330
3,496,369
Goodwill, net
of accumulated
amortization of
\$92,046 and
\$72,465 (Note
2) 947,678
685,393

Investments in
and advances to
nonconsolidated
affiliates
(Note 15)
79,464 86,681
Deferred costs,
trademarks and
other (Note 4)
424,412 314,209

----- \$
6,128,582 \$
5,166,085
=====
=====

LIABILITIES AND
STOCKHOLDERS'
EQUITY Current
liabilities

Accounts
payable \$
123,428 \$
89,051 Accrued
expenses (Note
4) 412,897
343,524 Short-
term debt (Note
5) 31,000
215,000 Current
portion of
long-term debt
(Note 5) 1,583
130,928 -----

- Total current
liabilities
568,908 778,503
Long-term debt
(Note 5)
3,719,443
2,835,846
Deferred
credits and
other 173,677
177,654

Deferred income taxes (Note 9)	
261,119	85,650

	4,723,147
3,877,653	-----

--- Minority interests	
31,322	18,714

Commitments and contingencies (Notes 2, 6 and 12 through 15)	
Stockholders' equity (Notes 3,14 and 15)	
Common stock, \$0.10 par value, authorized-360,000,000 shares, outstanding-112,322,143 and 115,952,394 shares (net of 28,977,890 and 22,030,805 shares held in treasury)	
11,232	11,595
Capital surplus	
1,143,125	
1,075,313	
Retained earnings	
248,098	224,251
Accumulated other comprehensive loss (1,449)	
(1,036)	
Deferred compensation related to restricted stock (26,893)	
(40,405)	-----

-- 1,374,113	
1,269,718	-----

--- \$ 6,128,582	
\$ 5,166,085	
=====	
=====	

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE CONSOLIDATED BALANCE SHEETS.

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

YEAR ENDED	
DECEMBER 31, --	

2001 2000 1999	

-----	Revenues	
	Casino \$	
	3,235,761	\$
	2,852,048	\$
	2,424,237	Food
		and beverage
532,115	480,757	
429,684		Rooms
301,846	270,313	
	253,629	
	Management fees	
64,842	66,398	
	75,890	Other
140,234	142,072	
127,527		Less:
	casino	
	promotional	
	allowances	
	(565,758)	
	(481,792)	
(416,842)		-----

	Total revenues	
	3,709,040	
	3,329,796	
2,894,125		-----

	Operating	
expenses	Direct	
	Casino	
	1,528,106	
	1,354,268	
1,124,254		Food
		and beverage
234,938	228,002	
218,580		Rooms
78,085	67,800	
	66,818	
	Depreciation	
	and	
	amortization	
285,773	236,082	
193,599		Write-
		downs, reserves
		and recoveries
	(Note 7):	
	Reserves for	
	New Orleans	
	casino	2,322
	220,000	--
	Other	20,176
	6,106	2,235
Project opening		
costs	13,136	
	8,258	2,276
	Corporate	
expense	52,746	
	50,472	42,748
	Headquarters	
	relocation and	
	reorganization	
	costs (Note 8)	
--	2,983	10,274
	Equity in	
(income) losses		
of		
nonconsolidated		
affiliates		
(Note 15)	(148)	
	57,935	43,467
	Venture	
	restructuring	
costs	2,524	400
	(322)	
Amortization of		
intangible		
assets	25,288	
	21,540	17,617
	Other	885,129

793,212 691,542

----- Total
operating
expenses
3,128,075
3,047,058
2,413,088 -----

Income from
operations
580,965 282,738
481,037
Interest
expense, net of
interest
capitalized
(Note 1)
(255,801)
(227,139)
(193,407)
(Losses) gains
on interests in
nonconsolidated
affiliates
(Note 15)
(5,040)
(41,626) 59,824
Other income,
including
interest income
28,219 3,866
12,129 -----

Income before
income taxes
and minority
interests
348,343 17,839
359,583
Provision for
income taxes
(Note 9)
(126,737)
(15,415)
(128,914)
Minority
interests
(12,616)
(13,768)
(11,166) -----

Income (loss)
before
extraordinary
losses 208,990
(11,344)
219,503
Extraordinary
losses, net of
tax benefit of
\$13, \$388 and
\$5,990 (Note
10) (23) (716)
(11,033) -----

Net income
(loss) \$
208,967 \$
(12,060) \$
208,470
=====
=====

Earnings (loss)
per share-basic

Before	
extraordinary	
losses \$ 1.84 \$	
(0.09) \$ 1.74	
Extraordinary	
losses, net --	
(0.01) (0.09) -	

---- Net income	
(loss) \$ 1.84 \$	
(0.10) \$ 1.65	
=====	
=====	
=====	
Earnings (loss)	
per share-	
diluted Before	
extraordinary	
losses \$ 1.81 \$	
(0.09) \$ 1.71	
Extraordinary	
losses, net --	
(0.01) (0.09) -	

---- Net income	
(loss) \$ 1.81 \$	
(0.10) \$ 1.62	
=====	
=====	
=====	
Weighted	
average common	
shares	
outstanding	
113,540 117,190	
126,072	
Dilutive effect	
of stock	
compensation	
programs 2,168	
-- 2,676 -----	

Weighted	
average common	
and common	
equivalent	
shares	
outstanding	
115,708 117,190	
128,748	
=====	
=====	
=====	

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE CONSOLIDATED STATEMENTS.

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
(NOTES 3,14 AND 15)
(In thousands)

DEFERRED COMMON	
STOCK	
ACCUMULATED	
COMPENSATION --	

- OTHER RELATED	
TO SHARES	
CAPITAL	
RETAINED	
COMPREHENSIVE	
RESTRICTED	
COMPREHENSIVE	

OUTSTANDING
 AMOUNT SURPLUS
 EARNINGS INCOME
 (LOSS) STOCK
 TOTAL INCOME
 (LOSS) -----

 Balance-
 December 31,
 1998 102,188
 \$10,219 \$
 407,691 \$
 451,410 \$ 6,567
 \$ (24,480) \$
 851,407 Net
 income -- -- --
 208,470 -- --
 208,470 \$
 208,470
 Unrealized gain
 on available-
 for- sale
 securities,
 less deferred
 tax provision
 of \$2,118 -- --
 -- -- 3,606 --
 3,606 3,606
 Realization of
 gain due to
 sale of equity
 interest in
 nonconsolidated
 affiliate, net
 of tax
 provision of
 \$6,031 -- -- --
 -- (10,269) --
 (10,269)
 (10,269)
 Foreign
 currency
 adjustment -- --
 - -- -- (397) -
 - (397) (397)
 Treasury stock
 purchases
 (6,108) (611) -
 - (147,341) --
 -- (147,952)
 Net shares
 issued in
 acquisition of
 Rio and
 minority
 interest in
 subsidiary
 25,392 2,539
 529,492 -- -- --
 - 532,031 Net
 shares issued
 under incentive
 compensation
 plans,
 including
 income tax
 benefit of
 \$2,625 2,908
 291 50,139 -- --
 - (1,049)
 49,381 -----
 - 1999
 Comprehensive
 Income -- -- --
 -- -- -- -- \$
 201,410 -----

 Cash flows from
 operating
 activities Net
 income (loss) \$
 208,967 \$
 (12,060) \$
 208,470
 Adjustments to
 reconcile net
 income (loss)
 to cash flows
 from operating
 activities
 Extraordinary
 losses, before
 income taxes 36
 1,104 17,023
 Depreciation
 and
 amortization
 332,672 282,110
 218,299 Write-
 downs, reserves
 and recoveries
 22,498 226,106
 1,570 Deferred
 income taxes
 102,476
 (118,125)
 34,052 Other
 noncash items
 46,337 133,841
 52,924 Minority
 interests'
 share of net
 income 12,616
 13,768 11,166
 Equity in
 (income) losses
 of
 nonconsolidated
 affiliates
 (148) 57,935
 43,467 Realized
 losses (gains)
 from interests
 in
 nonconsolidated
 affiliates
 5,040 41,626
 (59,824) Net
 losses (gains)
 from asset
 sales (18,503)
 1,213 878 Net
 change in long-
 term accounts
 (22,063)
 (44,772) 32,213
 Net change in
 working capital
 accounts 83,924
 (35,178)
 (70,161) -----

 Cash flows
 provided by
 operating
 activities
 773,852 547,568
 490,077 -----

 Cash flows from
 investing
 activities
 Land,
 buildings,
 riverboats and

equipment
 additions
 (529,822)
 (421,381)
 (340,468)
 Payments for
 businesses
 acquired, net
 of cash
 acquired
 (270,798)
 (260,185) --
 Investments in
 and advances to
 nonconsolidated
 affiliates
 (5,735)
 (314,921)
 (70,181)
 Proceeds from
 other asset
 sales 28,933
 86,664 26,359
 Decrease
 (increase) in
 construction
 payables 5,780
 (1,703) 1,871
 Sale of
 marketable
 equity
 securities for
 defeasance of
 debt 2,182
 58,091 --
 Proceeds from
 sales of
 interests in
 subsidiaries
 1,883 131,475
 172,576
 Collection of
 notes
 receivable --
 14,285 13,618
 Purchase of
 minority
 interest in
 subsidiary
 (8,512) --
 (26,000) Cash
 acquired in
 acquisitions --
 -- 50,226 Other
 (14,920)
 (11,907)
 (12,365) -----

 -- -----
 Cash flows used
 in investing
 activities
 (791,009)
 (719,582)
 (184,364) -----

 Cash flows from
 financing
 activities
 Proceeds from
 issuance of
 senior notes,
 net of discount
 and issue costs
 of \$15,328 for
 2001 and \$5,980
 for 1999
 984,672 --
 494,020
 Proceeds from

exercises of	
stock options	
55,303	45,150
24,329	Early
extinguishments	
of debt	
(344,811)	
(213,063)	
(620,493)	Gross
borrowings	
under lending	
agreements, net	
of financing	
costs of \$529,	
\$1,444 and	
\$4,556	
2,732,416	
1,950,859	
4,029,473	Gross
repayments	
under lending	
agreements	
(2,967,814)	
(1,447,434)	
(2,924,029)	Net
short-term	
borrowings	
(repayments),	
net of	
financing costs	
of \$450 in 2000	
(184,000)	
193,550	21,000
Purchases of	
treasury stock	
(185,782)	
(277,607)	
(147,952)	
Premiums paid	
on early	
extinguishments	
of debt (7,970)	
(1,104)	(9,278)
Scheduled debt	
retirements	
(2,707)	(3,472)
(5,075)	
Minority	
interests'	
distributions,	
net of	
contributions	
(8)	(14,003)
(7,122)	Net
repayments	
under retired	
facility -- --	
(1,086,000)	
Other 126	4,759
--	-----

Cash	
flows provided	
by (used in)	
financing	
activities	
79,425	237,635
(231,127)	-----

Net increase in	
cash and cash	
equivalents	
62,268	65,621
74,586	Cash and
cash	
equivalents,	
beginning of	
year 299,202	
233,581	158,995
-----	---

 ----- Cash and
 cash
 equivalents,
 end of year \$
 361,470 \$
 299,202 \$
 233,581
 =====
 =====
 =====

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE CONSOLIDATED STATEMENTS.

HARRAH'S ENTERTAINMENT, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (DOLLARS IN THOUSANDS, UNLESS OTHERWISE STATED)

In these footnotes, the words "Company," "Harrah's Entertainment," "we," "our" and "us" refer to Harrah's Entertainment, Inc., a Delaware corporation, and its wholly-owned subsidiaries, unless otherwise stated or the context requires otherwise.

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND ORGANIZATION. We operate in more markets than any other casino company in the United States. As of December 31, 2001, our U.S. operations included 12 land-based casinos, 10 riverboat or dockside casinos and three casinos on Indian reservations.

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

CASH AND CASH EQUIVALENTS. Cash includes the minimum cash balances required to be main- tained by a state gaming commission or local and state governments, which totaled approximately \$27.0 million and \$22.9 million at December 31, 2001 and 2000, respectively. Cash equivalents are highly liquid investments with a maturity of less than three months and are stated at the lower of cost or market value.

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

LAND, BUILDINGS, RIVERBOATS AND EQUIPMENT. Land, buildings, riverboats and equipment are stated at cost. Land includes land held for future development or disposition, which totaled \$129.8 million and \$109.9 million at December 31, 2001 and 2000, respectively. We capitalize the costs of improvements and extraordinary repairs that extend the life of the asset. We expense maintenance and repairs costs as incurred. Interest expense is capitalized on internally constructed assets at our overall weighted average borrowing rate of interest. Capitalized interest amounted to \$9.3 million, \$8.0 million and \$13.1 million in 2001, 2000 and 1999, respectively.

We depreciate our buildings, riverboats and equipment using the straight-line method over the shorter of the estimated useful life of the asset or the related lease term, as follows:

Buildings and improvements	10 to 40 years
Riverboats and barges	30 years
Furniture, fixtures and equipment	2 to 15 years

We review the carrying value of land, buildings, riverboats and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by management in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the

operating unit level, which for most of our assets is the individual casino.

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

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

During first quarter 2001, the Emerging Issues Task Force reached a consensus on the portion of Issue 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future," which addressed the income statement classification of the value of the points redeemable for cash awarded under point programs like our Total Rewards program. Per the consensus, which for our Company was effective retroactively to January 1, 2001, with prior year restatement also required, the cost of these programs should be reported as a contrarevenue, rather than as an expense. Debate continues on a number of other facets of Issue 00-22 which could have an impact on our financial statements. We historically reported the costs of such points as an expense, so we have reclassified these costs to be contra-revenues in our Consolidated Statements of Operations to comply with the consensus. The amounts of expense reclassified for 2000 and 1999 were \$141.4 million and \$130.3 million, respectively.

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

2001
2000
1999 --

Food
and
beverage
\$190,823
\$172,560
\$144,841
Rooms
64,976
51,927
43,773
Other
24,085
22,178
14,450

\$279,884
\$246,665
\$203,064
=====
=====
=====

AMORTIZATION. We amortize goodwill and other intangibles, including trademarks, on a straight-line basis over periods up to 40 years. We use the interest method to amortize deferred financing charges over the term of the related debt agreement. With the adoption of Statement of Financial Accounting Standards ("SFAS") No.142, "Goodwill and Other Intangible Assets," in 2002, we will no longer amortize goodwill or other intangible assets that are determined to have an indefinite life. Under the provisions of SFAS No.142, goodwill acquired in a business combination for which the acquisition date is after June 30, 2001, shall not be amortized; therefore, no goodwill related to the acquisition of Harveys Casino Resorts ("Harveys") has been amortized.

EARNINGS PER SHARE. In accordance with the provisions of SFAS No.128, "Earnings Per Share," we compute our basic earnings per share by dividing Net income

(loss) by the number of weighted average common shares outstanding during the year. Our Diluted earnings per share is computed by dividing Net income (loss) by the number of weighted average common shares and dilutive common stock equivalents outstanding during the year. Due to our net loss in 2000, Weighted average common and common equivalent shares at December 31, 2000, exclude common stock equivalents of 481,338 and 1,407,362 related to restricted stock and stock options, respectively, because of their antidilutive effect. For each of the three years ended December 31, 2001, common stock equivalents consisted solely of net restricted shares of 697,130, 481,338 and 789,690, respectively, and stock options outstanding of 1,471,400, 1,407,362 and 1,886,469, respectively, under our employee stock benefit plans. (See Note 14.)

RECLASSIFICATIONS. We have reclassified certain amounts for prior years to conform with our presentation for 2001.

USE OF ESTIMATES. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Our actual results could differ from those estimates.

NOTE 2--ACQUISITIONS

We are accounting for each of the transactions described below as a purchase. Accordingly, the purchase price is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determine the estimated fair values based on independent appraisals, discounted cash flows, quoted market prices and estimates made by management. For each transaction, the allocation of the purchase price was, or will be, completed within one year from the date of the acquisition. To the extent that the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired, such excess is allocated to goodwill. For acquisitions completed prior to June 30, 2001, goodwill was amortized for periods of up to 40 years. With the adoption of SFAS No.142 in 2002, we will no longer amortize goodwill or intangible assets that are determined to have an indefinite life.

Under the provisions of SFAS No.142, goodwill acquired in a business combination for which the acquisition date is after June 30, 2001, shall not be amortized; therefore, no goodwill related to the Harveys acquisition has been amortized. We are accounting for the Harveys acquisition under the provisions of SFAS No. 141, "Business Combinations."

NUMBER TOTAL
 GOODWILL OF
 COMPANY DATE
 ACQUIRED
 PURCHASE
 PRICE(a)
 ASSIGNED
 CASINOS
 GEOGRAPHIC
 LOCATION - - -

Showboat,
 Inc. June
 1998 \$1,045
 million \$322
 million 2(b)
 Atlantic
 City, New
 Jersey East
 Chicago,
 Indiana Rio
 Hotel &
 January 1999
 \$ 987 million
 \$ 93 million
 1 Las Vegas,
 Nevada
 Casino, Inc.
 Players March
 2000 \$ 439
 million \$204

million 3
Lake Charles,
Louisiana
International,
Metropolis,
Illinois Inc.
St. Louis,
Missouri
Harveys
Casino July
2001 \$ 661
million \$266
million 4
Central City,
Colorado
Resorts
Council
Bluffs, Iowa
(2) Lake
Tahoe, Nevada

(a) TOTAL PURCHASE PRICE INCLUDES THE MARKET VALUE OF DEBT ASSUMED.

(b) INTERESTS IN TWO OTHER CASINOS THAT WERE INCLUDED IN THE ACQUISITION WERE SUBSEQUENTLY SOLD (SEE DISCUSSION BELOW).

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

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

Included in the assets we acquired in the Showboat transaction was a 24.6% equity ownership interest in the Star City casino in Sydney, Australia, and an agreement to manage that casino. In fourth quarter 1999, we sold the ownership interest and in first quarter 2000, we completed the sale of our management interests in that property. (See Note 15.) During first quarter 2000, we sold the Showboat Las Vegas property. At the time of the Showboat acquisition, this property was determined to be a nonstrategic asset for us and was reported as an asset-held-for-sale in our Consolidated Financial Statements. No gain or loss resulted from the sale of this asset.

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

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

PLAYERS INTERNATIONAL, INC. On March 22, 2000, we completed our acquisition of Players International, Inc. ("Players"), paying \$8.50 in cash for each outstanding share and assuming \$150 million of Players 10 7/8% Senior Notes due 2005 (the "Players Notes"). Players operated a dockside riverboat casino on the Ohio River in Metropolis, Illinois; two cruising riverboat casinos in Lake Charles, Louisiana; two dockside riverboat casinos in Maryland Heights, Missouri; and a horse racetrack in Paducah, Kentucky. Players and Harrah's jointly operated a landside hotel and entertainment facility at the property in Maryland Heights, a suburb of St. Louis. The operations of the Players facility in Maryland Heights were consolidated with the adjacent Harrah's

operations in second quarter 2000, and the Lake Charles and Metropolis facilities were subsequently converted to the Harrah's brand.

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

HARVEYS CASINO RESORTS. On July 31, 2001, we completed our acquisition of Harveys. We paid approximately \$294 million for the equity interests in Harveys, assumed approximately \$350 million in outstanding debt and paid approximately \$17 million in acquisition costs. We also assumed a \$50 million contingent liability. This liability is contingent on the results of a referendum to be decided by the voters in Pottawattamie County, Iowa, in November 2002. If the referendum passes, we will pay an additional \$50 million in acquisition costs. If the referendum does not pass, the excursion gambling boat license may remain valid until January 26, 2004; however, the Bluffs Run Casino would have to cease gaming operations in a relatively short time after the referendum date. Management believes that the referendum will pass; however, in the event the referendum does not pass and gaming operations cease in Pottawattamie County, we would likely have a significant impairment related to the carrying value of our assets in Iowa. We financed the acquisition, and retired Harveys assumed debt, with borrowings under our bank facility (see Note 5). The purchase included the Harveys Resort & Casino in Lake Tahoe, Nevada, the Harveys Casino Hotel and the Bluffs Run Casino, both in Council Bluffs, Iowa and the Harveys Wagon Wheel Hotel/Casino in Central City, Colorado.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. We are in the process of finalizing the valuations of certain intangible assets and the Colorado assets; thus, the allocation of the purchase price is subject to refinement.

(IN
MILLIONS)
AT JULY
31, 2001 -

Current
assets \$
60.0
Property,
plant and
equipment
360.1
Notes
receivable
and other
assets
10.9
Intangible
assets
102.6
Goodwill
265.7 ----
-- Total
assets
acquired
799.3 ----
-- Current
liabilities
48.1 Long-
term debt
350.4
Other
long-term
liabilities
90.2 -----
- Total
liabilities
assumed
488.7 ----
-- Net
assets
acquired
\$310.6
=====

We acquired Harveys to further enhance our geographic distribution and to strengthen our access to target customers. The results of Harveys' operations have been included in our Consolidated Financial Statements since the date of acquisition.

The intangible assets acquired include registered trademarks, certain gaming rights and development rights, which are not subject to amortization. Other intangible assets, including customer relationships and certain contract rights, are subject to amortization. The values to be assigned to these assets have not yet been finalized. We estimate useful lives of four to 10 years for the assets subject to amortization and have recorded estimated amortization expense of \$2.6 million in 2001.

Of the estimated goodwill related to the Harveys acquisition, none is expected to be deductible for tax purposes. Through the acquisition of Harveys we acquired approximately \$80.0 million of goodwill related to a previous acquisition by Harveys that is deductible for tax purposes.

The following unaudited pro forma consolidated financial information for the Company has been prepared assuming that the Harveys acquisition, the Players acquisition and the extinguishments of debt assumed in those acquisitions had occurred on the first day of the period. The information also assumes that SFAS No.142 was effective for the Harveys acquisition on the first day of the period.

YEARS ENDED	
DECEMBER 31,	
(IN	
MILLIONS,	
EXCEPT PER	
SHARE	
AMOUNTS)	
2001	2000 --
-----	-----
-- Revenues	
\$3,949.1	
\$3,852.2	
Income	
before	
extraordinary	
losses 216.9	
11.8 Net	
income 216.9	
11.0	
Earnings per	
share-	
diluted	
Income	
before	
extraordinary	
losses 1.87	
0.09 Net	
income 1.87	
0.10	

These unaudited pro forma results are presented for comparative purposes only. The pro forma results are not necessarily indicative of what our actual results would have been had the Harveys and Players acquisitions and the debt extinguishments been completed as of the beginning of the period, or of future results.

NOTE 3--STOCKHOLDERS' EQUITY

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

Preferred stock, \$100 par value, 150,000 shares authorized
 Special stock, \$1.125 par value, 5,000,000 shares authorized-
 Series A Special Stock, 2,000,000 shares designated

Harrah's Entertainment's Board of Directors has authorized that one special stock purchase right (a "Right") be attached to each outstanding share of common stock. The Rights are not separable from the shares. These Rights are exercisable only if a person or group acquires 15% or more of Harrah's Entertainment common stock or announces a tender offer for 15% or more of the

common stock. Each Right entitles stockholders to buy one two-hundredth of a share of Series A Special Stock of the Company at an initial price of \$130 per Right. If a person acquires 15% or more of the Company's outstanding common stock, each Right entitles its holder to purchase common stock of the Company having a market value at that time of twice the Right's exercise price. Under certain conditions, each Right entitles its holder to purchase stock of an acquiring company at a discount. Rights held by the 15% holder will become void. The Rights will expire on October 5, 2006, unless earlier redeemed by the Board at one cent per Right.

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

PLAN	NUMBER OF NUMBER OF AVERAGE PRICE	AUTHORIZED SHARES	AUTHORIZED SHARES	PURCHASED PER SHARE
July 1999	10.0 million	10.0 million	\$23.44	
April 2000	12.5 million	12.5 million		
25.08 July 2001	6.0 million	2.1 million	25.46	

The July 2001 authorization expires December 31, 2002. The repurchases were funded through available operating cash flows and borrowings from our bank facility.

Under the terms of our employee stock benefit programs, we have reserved shares of Harrah's Entertainment common stock for issuance under the 2001 Executive Stock Incentive and 2001 Broad-based Incentive Plans. (See Note 14 for a description of the plans.) The 2001 Executive Stock Incentive Plan is an equity compensation plan approved by our stockholders and the 2001 Broad-based Incentive Plan is an equity compensation plan not approved by our stockholders. The shares held in reserve for issuance or grant under the Harrah's Entertainment, Inc. 1990 Stock Option Plan and Harrah's Entertainment, Inc. 1990 Restricted Stock Plan (collectively, "Harrah's Former Plans") were transferred to the 2001 Executive Stock Incentive Plan in 2001. As of December 31, 2001, 7,219,214 shares were authorized and unissued under the 2001 Executive Stock Incentive Plan and 200,000 shares were authorized and unissued under the Broad-based Incentive Plan. Of the 7,219,214 shares available for grant under the 2001 Executive Stock Incentive Plan, 259,479 shares were available for grants as an award other than an option.

NOTE 4--DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

Deferred costs, trademarks and other consisted of the following:

2001	2000	-
-----	----	----
-----	----	----
Trademarks,		
net of		

amortization
 of \$10,221
 and \$7,141
 \$137,579
 \$116,059
 Other
 intangible
 assets
 78,011 --
 Cash
 surrender
 value of
 life
 insurance
 (Note14)
 62,143
 60,122
 Deferred
 finance
 charges,
 net of
 amortization
 of \$4,769
 and \$4,185
 22,452
 19,216
 Other
 124,227
 118,812 ---

 \$424,412
 \$314,209
 =====
 =====

Accrued expenses consisted of the following:

2001 2000 -

 Payroll and
 other
 compensation
 \$123,940
 \$105,210
 Insurance
 claims and
 reserves
 67,516
 57,718
 Accrued
 interest
 payable
 50,456
 31,245
 Accrued
 taxes
 39,715
 24,923
 Other
 accruals
 131,270
 124,428 ---

 \$412,897
 \$343,524
 =====
 =====

NOTE 5-DEBT

Long-term debt consisted of the following:

2001 2000 -

 Bank
 Facility
 2.8%-4.8%
 at December
 31, 2001,
 maturities
 to 2004
 \$1,380,000
 \$1,574,600
 Secured
 Debt 7.1%,
 maturity
 2028 96,173
 97,273
 13.0%,
 repaid 2001
 -- 2,358
 6.4%-8.4%,
 maturities
 to 2031
 1,943 1,903
 Unsecured
 Senior
 Notes 7.5%,
 maturity
 2009
 498,499
 498,285
 8.0%,
 maturity
 2011
 494,971 --
 7.125%,
 maturity
 2007
 498,070 --
 Unsecured
 Senior
 Subordinated
 Notes
 7.875%,
 maturity
 2005
 750,000
 750,000
 Other
 Unsecured
 Borrowings
 5.5%-15.2%,
 repaid 2001
 -- 41,366
 Capitalized
 Lease
 Obligations
 7.6%-10.0%,
 maturities
 to 2006
 1,370 989 -

 3,721,026
 2,966,774
 Current
 portion of
 long-term
 debt
 (1,583)
 (130,928) -

 \$3,719,443
 \$2,835,846
 =====
 =====

As of December 31, 2001, aggregate annual principal maturities for the four years subsequent to 2002 were: 2003, \$1.7 million; 2004, \$1.4 billion; 2005,

\$751.7 million and 2006, \$1.7 million.

REVOLVING CREDIT FACILITIES. The Company has revolving credit and letter of credit facilities (the "Bank Facility"), which provide us with borrowing capacity of \$1.853 billion. The Bank Facility consists of a five-year \$1.525 billion revolving credit and letter of credit facility maturing in 2004 and a separate \$328 million revolving credit facility, which is renewable annually at the borrower's and lenders' options. As of December 31, 2001, the Bank Facility bore interest based upon 87.5 basis points over LIBOR for current borrowings under the five-year facility and 92.5 basis points over LIBOR for the 364-day facility. In addition, there is a facility fee for borrowed and unborrowed amounts, which is currently 20 basis points on the five-year facility and 15 basis points on the 364-day facility. The interest rate and facility fee are based on our current debt ratings and leverage ratio and may change as our debt ratings and leverage ratio change. There is an option on each facility to borrow at the prime rate. As of December 31, 2001, \$1.38 billion in borrowings were outstanding under the Bank Facility, with an additional \$85.4 million committed to back letters of credit. After consideration of these borrowings, \$387.6 million of additional borrowing capacity was available to the Company as of December 31, 2001.

ISSUANCE OF NEW DEBT. In addition to our Bank Facility, we have issued debt and entered into credit agreements to provide for short-term borrowings at lower interest rates than the rates paid under our Bank Facility, to provide the Company with cost-effective borrowing flexibility and to replace short-term, floating-rate debt with long-term, fixed-rate debt. The table below summarizes the face value of debt obligations outstanding at December 31, 2001, that we have entered into in the last three years:

FACE VALUE	
OUTSTANDING	
AT	
DECEMBER	
31, DEBT	
ISSUED	
MATURE	
2001 - ---	

7.5%	
Senior	
Notes	
January	
1999 2009	
\$500,000	
Uncommitted	
Line of	
Credit	
Agreement	
2001 2002	
31,000	
8.0%	
Senior	
Notes	
January	
2001 2011	
500,000	
7.125%	
Senior	
Notes June	
2001 2007	
500,000	

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

FACE VALUE
ISSUER DATE
RETIRED

DEBT
 EXTINGUISHED
 RETIRED - -

 Harveys
 September
 2001
 10.625%
 Senior
 Subordinated
 Notes due
 2006
 \$150,000
 Showboat
 August 2001
 13% Senior
 Subordinated
 Notes due
 2009 2,100
 Harveys
 July 2001
 Credit
 facility
 due 2004
 192,000
 Players
 June 2000
 10.875%
 Senior
 Notes due
 2005
 150,000
 Showboat
 June 2000
 9.25% First
 Mortgage
 Bonds due
 2008 56,445
 SMCP March
 1999 13.5%
 First
 Mortgage
 Notes due
 2003
 140,000 Rio
 May 1999
 10.625%
 Senior
 Subordinated
 Notes due
 2005
 100,000 Rio
 May 1999
 9.5% Senior
 Subordinated
 Notes due
 2007
 125,000
 SMCP July
 1999
 Capital
 lease
 obligations
 9,210

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

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

In a program designed for short-term borrowings at lower interest rates than the rates paid under our Bank Facility, we have entered into an uncommitted line of credit agreement with a lender whereby we can borrow up to \$35 million for periods of 90 days or less. At December 31, 2001, we had borrowed \$31 million under this agreement. Borrowings bear interest at current market rates. Interest rates on amounts borrowed under these agreements during 2001 ranged from 2.4% to 7.6%. This agreement does not decrease our borrowing capacity under our Bank Facility.

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

FAIR MARKET VALUE. Based on the borrowing rates available as of December 31, 2001, for debt with similar terms and maturities and market quotes of our publicly traded debt, the fair value of our long-term debt at December 31, 2001 and 2000, was as follows:

DECEMBER	
31, -----	

2001 2000	

CARRYING	
MARKET	
CARRYING	
MARKET (IN	
MILLIONS)	
VALUE	
VALUE	
VALUE	
VALUE ----	

Outstanding	
debt	
\$(3,721.0)	
\$(3,826.1)	
\$(2,966.8)	
\$(2,937.4)	

NOTE 6-LEASES

We lease both real estate and equipment used in our operations and classify those leases as either operating or capital leases following the provisions of SFAS No.13, "Accounting for Leases." At December 31, 2001, the remaining lives of our real estate operating leases ranged from one to 45 years, with various automatic extensions totaling up to 76 years. The average remaining term for other operating leases, which generally contain renewal options, extends approximately 17 years.

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

2001	2000
1999	-----
-----	-----
---	---
Noncancelable	
Minimum	
\$22,658	
\$21,872	
\$16,385	
Contingent	
5,601	4,867
4,666	
Sublease	
(602)	(571)
(385)	Other
34,921	
18,678	6,859
-----	-----
-----	-----
\$62,578	
\$44,846	
\$27,525	
=====	
=====	
=====	
Our future	
minimum	
rental	
commitments	
as of	
December 31,	
2001, were	
as follows:	
NONCANCELABLE	
OPERATING	
LEASES -----	

2002	\$
25,042	2003
21,567	2004
20,626	2005
50,346	2006
17,186	
Thereafter	
288,468	----
----	Total
minimum	
lease	
payments	
\$423,235	
=====	

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. Included in the future minimum rental commitment amounts presented above are our obligations under a June 2000 agreement in which we sold and leased-back corporate aircraft. Pursuant to its terms, the agreement is accounted for as an operating lease. The aggregate time period of the initial lease term plus annual renewal options will not exceed five years. At the end of the initial term, or any renewal term, we can, at our option, (a) renew the lease; (b) purchase the aircraft subject to the lease; or (c) sell the equipment on behalf of the lessor under the terms provided for in the agreement. At December 31, 2001, our exposure under the agreement, which approximates the fair value of the aircraft being leased, was approximately \$35 million. The next scheduled renewal date of the agreement is in March, 2002.

NOTE 7-WRITE-DOWNS, RESERVES AND RECOVERIES

Our operating results include various pretax charges to record asset impairments, contingent liability reserves, project write-offs and recoveries at time of sale of previously recorded reserves for asset impairment. The components of Write-downs, reserves and recoveries were as follows:

2001	2000
1999	-----
-	-----
-----	-----
Reserves	

for New Orleans casino	\$2,322
	\$220,000
	\$
	--
Impairment of long-lived assets	8,203
	5,813
	3,367
Termination of contracts	4,060
	2,505
-- Write-off of abandoned assets and other costs	8,484
	2,800
569 Recoveries from previously impaired assets	(571)
	(5,012)
	(1,701)
--	--

--	\$22,498
\$226,106	\$
	2,235
	=====
	=====
	=====

We account for the impairment of long-lived assets to be held and used by evaluating the carrying value of the long-lived assets in relation to the operating performance and future undiscounted cash flows of the underlying operating unit when indications of impairment are present. Long-lived assets to be disposed of are evaluated in relation to the estimated fair value of such assets less costs to sell.

NOTE 8-HEADQUARTERS RELOCATION AND REORGANIZATION COSTS

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

NOTE 9-INCOME TAXES

Our federal and state income tax provision (benefit) allocable to Consolidated Statements of Operations and Balance Sheet line items was as follows:

	2001	2000
	1999	-----
	-	-----

	Income before income taxes and minority interests	\$126,737
		\$
		15,415
		\$128,914
	Extraordinary	

interests were as follows:

2001	2000	1999
-----	-----	-----
Statutory tax rate	35.0%	35.0%
35.0%	35.0%	
Increases		
(decreases) in tax resulting from: State taxes, net of federal tax benefit	1.5	10.7
1.4		
Goodwill amortization	1.8	33.8
1.3		
Foreign taxes -	- 29.6	-- Tax credits (0.5)
(11.2)	(0.6)	
Political contributions	0.1	2.0
--		
Officers' life insurance	0.3	8.0
(0.8)		
Meals and entertainment	0.3	5.9
0.4		
Federal income tax settlement	(0.8)	(3.3)
0.3		
Minority interests in partnership earnings	(1.3)	(27.0)
(1.1)		
Other	-- 2.9	--
-----	-----	-----
Effective tax rate	36.4%	86.4%
35.9%		
=====	=====	=====
The components of our net deferred tax balance included in the Consolidated Balance Sheets were as follows:	2001	2000
-----	-----	-----
Deferred tax assets		
Investments in nonconsolidated affiliates \$	--	\$ 108,825
Compensation programs	59,538	44,163
Bad debt reserve	21,759	17,115
Self-insurance reserves	8,111	3,736
Deferred income	111	1,962
Project opening expenses	3,788	545
Debt costs	--	124
Other	--	19,692
1,184	--	
-----	-----	-----
--	112,999	
177,654	-----	
-----	-----	-----

Deferred tax liabilities
 Property (247,929)
 (187,291)
 Intangibles (74,773)
 (40,887)
 Investments in nonconsolidated affiliates
 (6,097) -- ----

 (328,799)
 (228,178) -----

 Net deferred tax liability
 \$(215,800) \$
 (50,524)
 =====
 =====

NOTE 10--EXTRAORDINARY ITEMS

The components of our net extraordinary losses were as follows:

2001	2000	1999
----	-----	---
----	-----	---
Losses on extinguishments of debt	\$(36)	
	\$(1,104)	
	\$(17,023)	
Income tax benefit	13	388
5,990	----	----
-----	-----	---
Extraordinary losses, net of income taxes	\$(23)	\$(716)
\$(11,033)	=====	=====
=====	=====	=====

The extraordinary losses on early extinguishments of debt are due to the premiums paid to the holders of the debt retired and the write-off of related unamortized deferred finance charges. See Note 5 for information regarding the specific debt issues retired in each period.

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:

	2001	2000	1999
	-----	-----	-----
Long-term accounts			
Deferred costs and other assets	\$ (15,683)	\$ (40,504)	\$ 51,717
Deferred credits and other long-term liabilities	(6,380)	(4,268)	(19,504)
	-----	-----	-----
Net change in long-term accounts	\$ (22,063)	\$ (44,772)	\$ 32,213
	=====	=====	=====
Working capital accounts			
Receivables	\$ 12,758	\$ (39,072)	\$ (53,620)
Inventories	3,171	2,524	(307)
Prepayments and other	27,126	(10,710)	75,986
Accounts payable	(16,015)	11,887	(1,849)
Accrued expenses	56,884	193	(90,371)
	-----	-----	-----
Net change in working capital accounts	\$ 83,924	\$ (35,178)	\$ (70,161)
	=====	=====	=====

SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR INTEREST AND TAXES

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

2001	2000
1999	-----

Interest expense, net of amount capitalized	
\$255,801	
\$227,139	
\$193,407	
Adjustments to reconcile to cash paid for interest	
Net change in accruals	
(33,869)	
(17,988)	
(2,011)	
Amortization of deferred finance charges	
(4,769)	
(4,185)	
(4,459) Net amortization of discounts and premiums	
(913) 70	
543	-----

Cash paid for interest, net of amount capitalized	
\$216,250	
\$205,036	
\$187,480	
=====	
=====	
=====	
Cash payments for income taxes, net of refunds (Note 9)	
\$(27,974) \$	
90,220 \$	
77,534	
=====	
=====	
=====	

NOTE 12--COMMITMENTS AND CONTINGENCIES

CONTRACTUAL COMMITMENTS. We continue to pursue additional casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties, guarantees by Harrah's Entertainment of third-party debt and development completion

guarantees. Excluding guarantees and commitments for New Orleans (see Note 15), as of December 31, 2001, we had guaranteed third-party loans and leases of \$147.0 million, which are secured by certain assets, and had commitments and contingencies of \$258.0 million, including construction-related commitments.

The agreements under which we manage casinos on Indian lands contain provisions required by law which provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled payments of borrowings for development costs. In the event that insufficient cash flow is generated by the operations of the Indian-owned properties to fund this payment, we must pay the shortfall to the tribe. Such advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. As of December 31, 2001, the aggregate monthly commitment pursuant to these contracts, which extend for periods of up to 73 months from December 31, 2001, was \$1.1 million.

SEVERANCE AGREEMENTS. As of December 31, 2001, the Company has severance agreements with 33 of its senior executives, which provide for payments to the executives in the event of their termination after a change in control, as defined. These agreements provide, among other things, for a compensation payment of 1.5 to 3.0 times the executive's average annual compensation, as defined, as well as for accelerated payment or accelerated vesting of any compensation or awards payable to the executive under any of Harrah's Entertainment's incentive plans. The estimated amount, computed as of December 31, 2001, that would be payable under the agreements to these executives based on earnings and stock options aggregated approximately \$115.5 million.

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

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

NOTE 13--LITIGATION

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

NOTE 14--EMPLOYEE BENEFIT PLANS

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

STOCK OPTION PLANS. Our employees may be granted options to purchase shares of common stock under the Harrah's Entertainment 2001 Executive Stock Incentive Plan or the 2001 Broad-based Incentive Plan (collectively, "SOP"). Beginning with the adoption of the SOP, grants will typically vest in equal installments over a three-year period. Previously, pursuant to the 1990 Stock Option Plan and the 1990 Restricted Stock Plan, grants typically vested in equal installments over a four-year period and collectively grants allow the option holder to purchase stock over specified periods of time, generally 7 to 10 years from the date of grant, at a fixed price equal to the market value at the date of grant. No options may be granted under the SOP after May 2011. All outstanding stock options under Rio's stock option plans at the date of our merger were fully vested and converted, at the same terms and conditions as originally granted, into options for Harrah's Entertainment common stock. No options for additional shares may be granted under the Rio plans, and any options cancelled under the Rio plans may not be re-issued.

A summary of activity of the 2001 Executive Stock Incentive Plan and Harrah's Former Plans, which are equity compensation plans approved by our stockholders, for 1999, 2000 and 2001 is as follows:

NUMBER OF
COMMON
SHARES
WEIGHTED
AVG. -----

EXERCISE
PRICE
OPTIONS
AVAILABLE
(PER SHARE)
OUTSTANDING
FOR GRANT --

Balance-
December
31, 1998
\$16.99
10,313,154
1,589,722
Additional
shares
authorized
N/A -
2,500,000
Rio
acquisition
14.74
3,442,955 -
Granted
23.20
3,133,783
(3,133,783)
Exercised
14.95
(2,444,747)
- Canceled
18.17
(725,346)
725,346 Rio
plans
cancellations
18.24
(14,500) - -

--- Balance-
December
31, 1999
18.14
13,705,299
1,681,285
Additional
shares
authorized
N/A -
1,800,000
Granted
28.10
3,109,602
(3,109,602)
Exercised
15.27
(2,968,539)
- Canceled
20.04
(1,070,064)
1,070,064
Rio plans
cancellations
18.35
(20,500) - -

--- Balance-
December 31,
2000 21.08
12,755,798

1,441,747
 Additional
 shares
 authorized
 N/A -
 3,900,000
 Restricted
 shares
 transferred
 from
 Harrah's
 Former Plans
 N/A -
 766,509
 Restricted
 shares
 issued N/A -
 (40,521)
 Restricted
 shares
 canceled N/A
 - 328,685
 Granted
 26.39
 774,075
 (774,075)
 Exercised
 17.07
 (3,240,426)
 - Canceled
 23.29
 (1,596,869)
 1,596,869
 Rio plans
 cancellations
 17.16
 (8,800) - --

 -- Balance-
 December 31,
 2001 \$22.65
 8,683,778
 7,219,214
 =====
 =====
 =====

Of the 7,219,214 shares available for grant at December 31, 2001, up to 259,479 of these shares are available for grant as awards other than as stock options.

200,000 shares have been authorized for issuance under the 2001 Broad-based Incentive Plan, which was established in 2001 and is an equity compensation plan not approved by stock- holders. No grants had been issued under this plan at December 31, 2001.

2001 2000
 1999 -----

 Options
 exercisable
 at
 December
 31
 2,955,787
 3,925,509
 4,727,341
 weighted
 average
 fair value
 per share
 of options
 granted
 per year
 \$12.33
 \$14.30
 \$11.74

The following table summarizes additional information regarding the options outstanding at December 31, 2001:

OPTIONS OUTSTANDING EXERCISABLE	WEIGHTED AVERAGE WEIGHTED RANGE OF REMAINING AVERAGE AVERAGE EXERCISE NUMBER CONTRACT EXERCISE NUMBER EXERCISE PRICES	OUTSTANDING LIFE PRICE EXERCISABLE PRICE
6.40-\$24.04	4,310,104	6.2 years
\$17.33	2,455,927	\$17.99
25.63-28.90	4,318,006	8.4 years
27.83	499,372	26.78
31.22-35.59	55,668	9.2 years
32.09	488	35.35
35.35	8,683,778	
	2,955,787	
	=====	
	=====	

As allowed under the provisions of SFAS No.123, "Accounting for Stock-Based Compensation," we apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations to account for the SOP and, accordingly, do not recognize compensation expense. Had compensation expense for the SOP been determined in accordance with SFAS

5.8% 5.9%
 Expected
 average
 life of
 options
 (years) 6
 6 6

RESTRICTED STOCK. Employees may be granted shares of common stock under the SOP. Restricted shares granted under the SOP are restricted as to transfer and subject to forfeiture during a specified period or periods prior to vesting. The shares generally vest in equal installments over a period of four years. No awards of restricted shares may be made under the current plan after May 2011. The compensation arising from a restricted stock grant is based upon the market price at the grant date. Such expense is deferred and amortized to expense over the vesting period.

The Company has issued time accelerated restricted stock ("TARSAP") awards to certain key executives. The initial TARSAP awards fully vested on January 1, 2002, if the executive continued in active employment until that date. However, the vesting of some of these shares accelerated into 2000. During 2000 and 2001, additional TARSAP awards were issued to certain key executives, which will vest on January 1, 2007, if the executive continues in active employment until that date. These shares are eligible for earlier annual vesting beginning in 2003 over five years based on the Company's financial performance in each of the years 2002 through 2005. The expense arising from TARSAP awards is being amortized to expense over the periods in which the restrictions lapse.

The number and weighted average grant-date fair value of restricted shares granted, and the amortization expense recognized, during 2001, 2000 and 1999, including the TARSAP awards, were as follows:

	2001	2000
1999	-----	

	--	-----
- Number of shares granted	72,876	1,306,398
Weighted average grant price per share	\$31.00	\$25.17
	\$23.62	
Amortization expense (in millions)	8.2	12.3
	9.7	
Unvested shares as of December 31	1,783,535	2,298,803
	2,158,302	

SAVINGS AND RETIREMENT PLAN. We maintain a defined contribution savings and retirement plan, which, among other things, allows pretax and after-tax contributions to be made by employees to the plan. Under the plan, participating employees may elect to contribute up to 16 percent, increasing to 20 percent in 2002, of their eligible earnings, the first six percent of which is fully matched. Amounts contributed to the plan are invested, at the participant's direction, in up to 14 separate funds, including a Harrah's company stock fund. Participants become vested in the matching contribution over five years of credited service. Our contribution expense for this plan was \$26.6 million, \$25.3 million and \$22.2 million in 2001, 2000 and 1999, respectively.

DEFERRED COMPENSATION PLANS. Harrah's maintains deferred compensation plans (collectively, "DCP") and an Executive Supplemental Savings Plan ("ESSP")

under which certain employees may defer a portion of their compensation. Amounts deposited into these plans are unsecured liabilities of the Company. Amounts deposited into DCP earn interest at rates approved by the Human Resources Committee of the Board of Directors. The ESSP is a variable investment plan which allows the employee to direct their investments by choosing from several investment alternatives. The total liability included in Deferred credits and other liabilities for these plans at December 31, 2001 and 2000 was \$82.1 million and \$67.6 million, respectively. In connection with the administration of one of these plans, we have purchased company-owned life insurance policies insuring the lives of certain directors, officers and key employees.

MULTI-EMPLOYER PENSION PLAN. Approximately 4,300 of our employees are covered by union sponsored, collectively bargained multi-employer pension plans. We contributed and charged to expense \$4.5 million, \$4.0 million and \$4.2 million in 2001, 2000 and 1999, respectively, for such plans. The plans' administrators do not provide sufficient information to enable us to determine our share, if any, of unfunded vested benefits.

NOTE 15--NONCONSOLIDATED AFFILIATES JCC HOLDING COMPANY. JCC Holding Company and its subsidiary, Jazz Casino Company, LLC (collectively, "JCC"), own and operate a land-based casino in New Orleans, Louisiana (the "Casino"). The Company has a minority ownership interest (and noncontrolling board representation) in JCC, and a subsidiary of the Company manages the Casino. On January 4, 2001, JCC filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code to restructure its obligations to the State of Louisiana and the City of New Orleans, long-term debt, bank credit facilities and trade and other obligations. JCC's plan of reorganization was approved by the bankruptcy court on March 19, 2001, and was effective on March 29, 2001.

Pursuant to the reorganization plan, the Company is guaranteeing an annual payment obligation of JCC owed to the State of Louisiana of \$50 million in the first year (\$12.3 million remained at December 31, 2001) and \$60 million for three subsequent years. We receive a fee of 2% of the

average amount at risk for providing this guarantee. Also pursuant to the reorganization plan, we received 49% of the new common stock of JCC and hold approximately \$51 million of the new debt of JCC, which replaced \$81.6 million owed to us prior to JCC's reorganization. We are also providing a \$35 million revolving credit facility to JCC at market terms. At December 31, 2001, no funds were outstanding from JCC under the revolving credit facility. A subsidiary of the Company continues to manage the Casino pursuant to an amended management agreement, which, among other things: (i) changes the base management fee to an incentive management fee based on earnings of the business before interest expense, income taxes, depreciation, amortization and management fees, (ii) requires the Company to provide certain administrative services to JCC as part of its management fee without any reimbursement from JCC and (iii) provides for termination of management services if minimum performance thresholds are not met.

Due to the filing of bankruptcy by JCC, in fourth quarter 2000 we recorded reserves of \$220 million for receivables not expected to be recovered in JCC's reorganization plan. In first quarter 2001, an additional \$2.3 million was recorded to reserve for additional advances made to JCC during first quarter 2001 and to adjust the reserves for modifications to the approved reorganization plan. We did not record our share of JCC's operating results in first quarter 2001, however, with the implementation of JCC's reorganization plan, we resumed recording our share of JCC's results in second quarter 2001.

NATIONAL AIRLINES, INC. We had an approximate 48% ownership interest in National Airlines, Inc. ("NAI"), which filed a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code in December 2000. In June 2001, we abandoned all rights to our shares of NAI stock and stock purchase warrants. In fourth quarter 2000, we recorded write-offs and reserves totaling \$39.4 million for our investment in and loans to NAI and our estimated net exposure under letters of credit on behalf of NAI.

As of December 31, 2001, we are exposed to up to \$12 million of liability under a letter of credit on behalf of NAI, which expires on February 19, 2002. We have an agreement with another investor of NAI whereby that investor is obligated to reimburse us for approximately 56% of amounts that we may pay under the letter of credit and that we funded under another letter of credit. During second quarter 2001, a subsidiary of the Company filed a lawsuit against the other investor for breach of contract due to the investor's failure to reimburse the Company for his share of the \$8.6 million we have paid against the second letter of credit. As contractually permitted, the guarantor elected to submit the issue to arbitration. A ruling from the

arbitrator is pending. If we are required to fund under the remaining letter of credit and are unsuccessful in collecting from the other investor, we would record additional losses of up to \$12 million for NAI.

DISPOSITIONS OF EQUITY INTERESTS. In 1999, we sold our shares of Star City casino and recorded a pretax gain of \$43.5 million. We also sold our interest in Sodak Gaming, Inc. to a gaming equipment manufacturing company and recorded a pretax gain of \$16.3 million.

COMBINED FINANCIAL INFORMATION. The following summarized balance sheet and statement of operations information has been compiled from financial reports for the periods and dates indicated submitted to us by our nonconsolidated affiliates which we accounted for using the equity method:

2000 -----

 -- NATIONAL
 2001* JCC
 AIRLINES
 OTHER TOTAL
 2000 1999 --

Combined
 Summarized
 Balance
 Sheet
 Information

Current
 assets \$
 50,273 \$
 42,092 \$
 48,007 \$
 3,077 \$
 93,176 \$
 73,560 Land,
 buildings
 and
 equipment,
 net 167,617
 333,931
 35,597
 34,549
 404,077
 570,204
 Other assets
 50,022
 101,334
 19,860 8,520
 129,714
 130,889 ----

----- Total
 assets
 267,912
 477,357
 103,464
 46,146
 626,967
 774,653 ----

 Current
 liabilities
 34,224
 110,117
 105,695
 6,543
 222,355
 100,336

public accountants, management and the internal auditors. Harrah's Entertainment's internal auditors report directly to the Audit Committee pursuant to gaming regulations. The independent public accountants have direct access to the Audit Committee, with and without the presence of management representatives.

/s/ Philip G. Satre

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

/s/ Anthony D. McDuffie

Anthony D. McDuffie
Vice President, Controller and
Chief Accounting Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS OF HARRAH'S ENTERTAINMENT, INC.: We have audited the accompanying consolidated balance sheets of Harrah's Entertainment, Inc. (a Delaware corporation) and subsidiaries ("Harrah's Entertainment") as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss) and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of Harrah's Entertainment's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harrah's Entertainment as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Las Vegas, Nevada
February 6, 2002

QUARTERLY RESULTS OF OPERATIONS
(UNAUDITED)

(IN
THOUSANDS,
EXCEPT
FIRST
SECOND
THIRD
FOURTH PER
SHARE
AMOUNTS)
QUARTER
QUARTER
QUARTER
QUARTER
YEAR -----

2001(1)

Revenues	
\$867,176	
\$873,445	
\$1,007,778	
\$ 960,641	
\$3,709,040	
Income	
from	
operations	
144,526	
141,732	
160,592	
134,115	
580,965	
Net income	
44,080	
47,863	
61,923	
55,101	
208,967	
Earnings	
per	
share(3)	
Basic	0.38
0.41	0.55
0.50	1.84
Diluted	
0.38	0.40
0.54	0.49
1.81	
2000(2)	
Revenues	
\$751,970	
\$841,614	\$
914,192	\$
822,020	
\$3,329,796	
Income	
(loss)	
from	
operations	
100,100	
136,338	
176,103	
(129,803)	
282,738	
Net income	
(loss)	
30,748	
46,498	
71,980	
(161,286)	
(12,060)	
Earnings	
(loss) per	
share(3)	
Basic	0.25
0.39	0.63
(1.41)	
(0.10)	
Diluted	
0.25	0.39
0.61	
(1.41)	
(0.10)	

(1) 2001 INCLUDES \$22.5 MILLION IN PRETAX CHARGES FOR WRITE-DOWNS, RESERVES AND RECOVERIES AND \$26.2 MILLION OF INCOME FROM DISPOSITIONS OF NONSTRATEGIC ASSETS AND THE SETTLEMENT OF A CONTINGENCY RELATED TO A FORMER AFFILIATE. 2001 ALSO INCLUDES OPERATING RESULTS FOR HARVEYS CASINO RESORTS FOR PERIODS AFTER ITS JULY 31, 2001, DATE OF ACQUISITION.

(2) 2000 REVENUES HAVE BEEN RESTATED TO REFLECT THE IMPACT OF IMPLEMENTING ACCOUNTING GUIDANCE ISSUED IN AND EFFECTIVE FOR FIRST QUARTER 2001 WHICH REQUIRES THE COST OF THE CASH-BACK COMPONENT OF THE COMPANY'S TOTAL REWARDS PROGRAM TO BE TREATED AS A REDUCTION OF REVENUES. PREVIOUSLY, THESE COSTS HAD BEEN TREATED AS A CASINO EXPENSE. 2000 INCLUDED RECOGNITION IN FOURTH QUARTER OF \$220.0 MILLION IN PRETAX RESERVES FOR RECEIVABLES NOT EXPECTED TO BE RECOVERED FROM JCC HOLDING COMPANY AND ITS SUBSIDIARY, JAZZ CASINO COMPANY LLC, AND \$39.4 MILLION IN PRETAX WRITE-OFFS AND RESERVES FOR OUR INVESTMENT IN, LOANS TO AND

NET ESTIMATED EXPOSURE UNDER LETTERS OF CREDIT ISSUED ON BEHALF NATIONAL AIRLINES, INC. 2000 ALSO INCLUDED OPERATING RESULTS FOR PLAYERS INTERNATIONAL, INC. FOR PERIODS AFTER ITS MARCH 22, 2000, DATE OF ACQUISITION.

(3) THE SUM OF THE QUARTERLY PER SHARE AMOUNTS MAY NOT EQUAL THE ANNUAL AMOUNT REPORTED, AS PER SHARE AMOUNTS ARE COMPUTED INDEPENDENTLY FOR EACH QUARTER AND FOR THE FULL YEAR.

HARRAH'S ENTERTAINMENT, INC.
SUBSIDIARIES

JURISDICTION
PERCENTAGE DATE
OF OF OF
INCORPOR- FEIN
NAME
INCORPORATION
OWNERSHIP ATION
NUMBER ---- ---

----- Aster
Insurance Ltd.
Bermuda 100%
02/06/90 62-
1428220
Harrah's
Operating
Company, Inc.
Delaware 100%
08/08/83 75-
1941623 Dusty
Corporation
Nevada 100%
07/02/98 88-
0398744 Harrah
South Shore
Corporation
California 100%
10/02/59 88-
0074793
Harrah's -
Holiday Inns of
New Jersey,
Inc. New Jersey
100% 09/19/79
62-1071040
Harrah's
Alabama
Corporation
Nevada 100%
09/09/93 88-
0308027
Harrah's
Arizona
Corporation
Nevada 100%
01/26/93 62-
1523519
Harrah's
Atlantic City,
Inc. New Jersey
100% 02/13/79
93-0737757
Harrah's
Aviation, Inc.
Tennessee 100%
03/11/63 62-
0694622 HCAL
Corporation
Nevada 100%
02/02/94 88-
0313169
Harrah's
Crescent City
Investment
Company Nevada
100% 03/28/97
86-0863877
Harrah's
Illinois
Corporation
Nevada 100%

12/18/91 88-
0284653
Harrah's
Indiana Casino
Corporation
Nevada 100%
09/09/93 88-
0308079
Harrah's
Indiana
Management
Corporation
Nevada 100%
09/09/93 88-
0308082
Harrah's
Interactive
Investment
Company Nevada
100% 09/21/94
88-0326036
Harrah's Kansas
Casino
Corporation
Nevada 100%
11/12/93 88-
0313173 HPB
Corporation
Kansas 100%
11/13/97 74-
2859636
Harrah's Las
Vegas, Inc.
Nevada 100%
03/21/68 88-
0116377
Harrah's
Laughlin, Inc.
Nevada 100%
07/10/87 88-
0230282
Harrah's
Management
Company Nevada
100% 04/07/83
88-0187173
Harrah's
Marketing
Services
Corporation
Nevada 100%
08/21/97 86-
0889202
Harrah's
Maryland
Heights LLC(1)
Delaware 99%
10/16/95 43-
1725857
Harrah's
Maryland
Heights
Operating
Company Nevada
100% 06/20/95
88-0343024
Harrah's
Michigan
Corporation
Nevada 100%
06/15/93 88-
0307990
Harrah's NC
Casino Company,
LLC(2) North
Carolina 99%
04/21/95 56-
1936298
Harrah's New
Jersey, Inc.
New Jersey 100%

09/13/78 22-
2219370
Harrah's New
Orleans
Management
Company Nevada
100% 05/21/93
62-1534758
Harrah's North
Kansas City
LLC(3) Missouri
100% 12/15/99
62-1802713
Harrah's of
Jamaica, Ltd.
Jamaica 100%
07/12/85 N/A
Harrah's
Operating
Company
Memphis, Inc.
Delaware 100%
12/15/99 62-
1802711
Harrah's
Pittsburgh
Management
Company Nevada
100% 06/08/94
88-0320269
Harrah's Reno
Holding
Company, Inc.
Nevada 100%
02/23/88 62-
1440237
Harrah's
Shreveport
Investment
Nevada 100%
12/18/00 88-
0292677
Company, LLC
Harrah's
Shreveport
Management
Nevada 100%
12/18/00 62-
1839697
Company, LLC
Harrah's Skagit
Valley Agency
Corporation
Nevada 100%
11/08/95 88-
0348745
Harrah's
Southwest
Michigan Casino
Nevada 100%
04/06/95 88-
0337476
Corporation
Harrah's
Travel, Inc.
Nevada 100%
07/30/98 88-
0400542
Harrah's Tunica
Corporation
Nevada 100%
08/10/92 88-
0292680
Harrah's
Vicksburg
Corporation
Nevada 100%
07/13/92 88-
0292320 - -----

(1) 54.45%

Harrah's
 Operating
 Company, Inc.,
 .55% Harrah's
 Maryland
 Heights
 Operating
 Company, 4.5%
 Players
 Maryland
 Heights, Inc.,
 40.50% Players
 Maryland
 Heights Nevada,
 Inc. (2) 99%
 Harrah's
 Operating
 Company, Inc.,
 1% Harrah's
 Management
 Company (3)
 Successor by
 merger with
 Harrah's-North
 Kansas City
 Corporation;
 100% Harrah's
 Operating
 Company, Inc. 1

JURISDICTION
 PERCENTAGE DATE
 OF OF OF
 INCORPOR- FEIN
 NAME
 INCORPORATION
 OWNERSHIP ATION
 NUMBER ---- ---

----- Harrah's
 Washington
 Corporation
 Nevada 100%
 02/03/94 88-
 0313171
 Harrah's
 Wheeling
 Corporation
 Nevada 100%
 04/29/94 88-
 0317848
 Riverbank
 Development
 Corporation
 Nevada 100%
 08/05/96 88-
 0365487 Rio
 Hotel & Casino,
 Inc. Nevada
 100% 06/14/88
 95-3671082 Rio
 Resort
 Properties,
 Inc. Nevada
 100% 09/04/87
 88-0229914 Rio
 Properties,
 Inc. Nevada
 100% 02/24/92
 88-0288115
 Cinderlane,
 Inc. Nevada
 100% 12/29/94
 88-3331880
 Twain Avenue,
 Inc. Nevada
 100% 08/08/97
 88-0438885
 McKellar
 Industrial Park
 Owner's Nevada

100% 12/03/84 [
] Association,
Inc. (Non-
Profit) HLG,
Inc. Nevada
100% 10/28/96
88-0371040 HLG
Singapore PTE
Ltd Singapore
100% 01/31/98 [
] PYN, Inc. New
York 100%
01/07/97 88-
0438884 Rio
Leasing, Inc.
Nevada 100%
09/10/96 88-
0369074 Rio
Development
Company, Inc.
Nevada 100%
08/28/96 88-
0220505 Rio
Vegas Hotel
Casino, Inc.
Nevada 100%
09/28/88 N/A
Showboat, Inc.
Nevada 100%
02/16/60 88-
0090766
Showboat
Australia PTY
Limited(4)
Australia 50%
08/11/93 N/A
Ocean Showboat,
Inc. New Jersey
100% 09/12/83
22-2500790
Atlantic City
Showboat, Inc.
New Jersey 100%
01/10/84 22-
2500794
Showboat
Development
Company Nevada
100% 06/09/83
88-0227522
Showboat
Canada, Inc.
Canada 100%
06/28/93 N/A
Dion Showboat,
Inc. Canada
100% 06/28/93
N/A Showboat
Indiana, Inc.
Nevada 100%
09/13/93 88-
0308090
Showboat
Louisiana, Inc.
Nevada 100%
05/18/93 88-
0302250
Showboat New
Hampshire, Inc.
Nevada 100%
07/26/94 None
Showboat
Rockingham
Company, LLC(5)
New Hampshire
50% 09/09/97 [
] Showboat Land
Company Nevada
100% 11/12/97
88-0378914
Showboat

Operating
Company Nevada
100% 04/10/73
88-0121120
Showboat Land
LLC(6) Nevada
1% 11/04/97 88-
0382943 Trigger
Real Estate
Corporation
Nevada 100%
07/02/98 88-
0398745
Waterfront
Entertainment
and
Development,
Inc.(7) Indiana
99% 07/19/93
35-1897368
Players
International,
Inc. Nevada
100% 05/17/85
95-4175832
Players
Development,
Inc. Nevada
100% 06/17/96
22-3452913
Players
Holding, Inc.
Nevada 100%
10/09/95 88-
0346670 PCI,
Inc. Nevada
100% 08/03/84
95-3949053
Players
Bluegrass
Downs, Inc.
Kentucky 100%
07/29/93 61-
1250331 Players
Lake Charles
Riverboat, Inc.
Louisiana 100%
12/18/95 22-
3414660 Players
LC, Inc. Nevada
100% 12/18/95
22-3414663
Players Lake
Charles, LLC(8)
Louisiana 90%
01/19/96 72-
1233908 Players
Maryland
Heights, Inc.
Missouri 100%
10/06/93 43-
1662850 Players
Maryland
Heights Nevada,
Inc. Nevada
100% 08/21/95
88-0345262
Players
Riverboat, Inc.
Nevada 100%
02/03/95 88-
0332372 Players
Riverboat
Management,
Inc. Nevada
100% 02/03/95
88-0332373 - --

(4) 50%
Showboat, Inc.,
50% Showboat

Development
 Company (5) 50%
 Showboat New
 Hampshire,
 Inc., 50%
 Rockingham
 Venture, Inc.
 (6) 1% Showboat
 Operating
 Company, 99%
 Showboat Land
 Holding Limited
 Partnership (7)
 99% Harrah's
 Operating
 Company, Inc.,
 .5% John
 Flores, .5%
 George Pabey
 (8) 90% Players
 LC, Inc., 10%
 Players Lake
 Charles
 Riverboat, Inc.
 (Manager) 2
 JURISDICTION
 PERCENTAGE DATE
 OF OF OF
 INCORPOR- FEIN
 NAME
 INCORPORATION
 OWNERSHIP ATION
 NUMBER ---- ---

 ----- Players
 Riverboat,
 LLC(9)
 Louisiana 1%
 02/07/95 72-
 1297055
 Harrah's Star
 Partnership(10)
 Louisiana 99%
 08/19/93 72-
 1246016
 Southern
 Illinois
 Riverboat/Casino
 Illinois 100%
 12/09/90 37-
 1272361
 Cruises, Inc.
 Players
 Resources, Inc.
 Nevada 100%
 10/09/95 22-
 3409555 Players
 Services, Inc.
 New Jersey 100%
 10/05/95 22-
 3400988 Harveys
 Casino Resorts
 Nevada 100%
 06/30/55 88-
 0066882 Harveys
 BR Management
 Company, Inc.
 Nevada 100%
 07/29/99 91-
 2000710 Harveys
 C.C. Management
 Company, Inc.
 Nevada 100%
 10/06/93 88-
 0307948 Harveys
 Iowa Management
 Company, Inc.
 Nevada 100%
 06/13/94 88-
 0321071 Harveys

L.V. Management
Company, Inc.
Nevada 100%
10/06/93 88-
0308319 Harveys
P.C., Inc.
Nevada 100%
10/10/96 88-
0370318 Harveys
Tahoe
Management
Company, Inc.
Nevada 100%
09/30/96 88-
0370589 HBR
Realty Company,
Inc. Nevada
100% 07/19/99
91-2000709 HCR
Services
Company, Inc.
Nevada 100%
10/11/96 88-
0370327 Reno
Projects, Inc.
Nevada 100%
04/13/93 88-
0300954 WestAd
Nevada 100%
05/17/89 88-
0288863
PARTNERSHIPS
Des Plaines
Development
Limited
Partnership
Illinois 80%
02/28/92 62-
1522919
Harrah's Jazz
Company
Louisiana
47.07% 11/29/93
62-1551366
Marina
Associates New
Jersey 100%
09/14/78 62-
1051302
Metropolis, IL
1292 LP
Illinois 12.5%
06/14/93 N/A
Red River
Entertainment
of Shreveport
Partnership in
Commendam
Louisiana 100%
11/10/92 72-
1228415 Reno
Crossroads, LLC
Nevada 100%
04/06/99 N/A
Tunica Golf
Course LLC
33.33% 06/21/96
52-1984039
Tunica Partners
L.P.
Mississippi
100% 03/28/95
64-0858677
Tunica Partners
II L.P.
Mississippi
100% 06/03/95
64-0861631
Turfway Park
LLC 33.33%
12/21/98

Showboat
 Indiana
 Investment
 Limited
 Partnership
 Nevada 100%
 01/28/94
 Showboat Land
 Holding Limited
 Partnership
 100% 11/14/97
 88-0378916
 Showboat
 Leighton
 Partnership 85%
 04/22/94
 Showboat Marina
 Casino
 Partnership
 Indiana 100%
 03/01/96 35-
 1978576
 Showboat Marina
 Investment
 Partnership
 Indiana 100%
 08/02/95 35-
 1978578
 Showboat Marina
 Partnership
 Indiana 100%
 07/19/93 35-
 1901969 - -----

 (9) 90% Players
 LC, Inc., 10%
 Players Lake
 Charles
 Riverboat, Inc.
 (Manager) (10)
 1% Players
 Riverboat
 Management,
 Inc., 99%
 Players
 Riverboat, Inc.
 (11) 99%
 Players
 Riverboat, LLC,
 1% Players
 Riverboat
 Management,
 Inc. 3
 JURISDICTION
 PERCENTAGE DATE
 OF OF OF
 INCORPOR- FEIN
 NAME
 INCORPORATION
 OWNERSHIP ATION
 NUMBER ---- ---

 SUBSIDIARIES OF
 PARTNERSHIPS
 East Chicago
 Second Century,
 Inc.(11)
 Indiana
 03/16/94 35-
 2013387 Reno
 Crossroads
 LLC(12)
 Delaware
 04/06/99 22-
 3741494
 Showboat Marina
 Finance
 Corporation(13)
 Nevada 03/07/96

88-0356197
Sydney Casino
Management PTY
Ltd.(14)
Australia
06/09/93 N/A
NOTE: Harrah's
Operating
Company. Inc.
was formerly
Embassy Suites,
Inc. - name
changed on
6/30/95.

Harrah's merged
into Harrah's
Operating
Company, Inc.
on 8/31/95.
Harrah's Club
merged into
Harrah's
Operating
Company, Inc.
on 8/31/95.
Showboat, Inc.
merged into HEI
Acquisition
Corp. on 6/1/98
and was the
surviving
entity. - -----

(12) 100% owned
by Showboat
Marina
Partnership.
Stock has not
been issued.

(13) 100% owned
by Marina
Associates (14)
100% owned by
Showboat Marina
Casino
Partnership

(15) Owned by
Showboat
Leighton
Partnership and
is the nominee
corporation for
that

partnership 4
JURISDICTION
PERCENTAGE DATE
OF OF OF
INCORPOR- FEIN
NAME
INCORPORATION
OWNERSHIP ATION
NUMBER -----

----- PUBLIC
COMPANY
OWNERSHIP
Interactive
Entertainment
Limited(15)
Bermuda 35.5%
01/28/81 98-
0170199 JCC
Holding
Company(16)
Delaware 43%
08/20/96 62-
1650470
National
Airlines, Inc.
(17) Delaware

0% 04/12/95 []
Star City
Holdings Ltd.
(18) Australia
24.6% N/A (fka
Sydney Harbour
Casino Holdings
Ltd.

- - - - -

(16) Harrah's Operating Company, Inc., stockholder

(17) Harrah's Crescent City Investment Company, stockholder. JCC Holding Company owns 100% of Jazz Casino Company, LLC which operates the New Orleans casino.

(18) Harrah's Entertainment, Inc. owned 3,000,000 shares of common stock (23.9%) and Rio Hotel & Casino, Inc. owns 3,000,000 shares of common stock (23.9%). Effective 6/21/01 these shares were abandoned.

(19) Showboat Australia PTY Ltd., stockholder. Showboat Australia PTY Ltd. selling all of its interest in Star City Holdings Ltd. effective January 2000.

GAMING--NEVADA

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

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

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

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

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, Harrah's Entertainment or the Gaming Subsidiaries to determine whether

such individual is suitable or should be licensed as a business associate of a gaming licensee. Officers, directors and certain key employees of the Gaming Subsidiaries must file applications with the Nevada Gaming Authorities and may be required to be licensed or found suitable by the Nevada Gaming Authorities. Officers, directors and key employees of Harrah's Entertainment, HOC, Harveys or Rio who are actively and directly involved in gaming activities of the Gaming Subsidiaries may be required to be licensed or found suitable by the Nevada Gaming Authorities. The Nevada Gaming Authorities may deny an application for

licensing for any cause which they deem reasonable. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation. The applicant for licensing or a finding of suitability must pay all the costs of the investigation. Changes in licensed positions must be reported to the Nevada Gaming Authorities and in addition to their authority to deny an application for a finding of suitability or licensure, the Nevada Gaming Authorities have jurisdiction to disapprove a change in a corporate position.

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

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

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

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

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

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

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

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

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

3

Harrah's Entertainment and HOC may not make a public offering of their securities without the prior approval of the Nevada Commission if the securities or the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes. On November 20, 2000, the Nevada Commission granted Harrah's Entertainment and HOC prior approval to make public offerings for a period of two years, subject to certain conditions ("Shelf Approval"). On July 26, 2001, the Shelf Approval was amended in connection with the approval to acquire Harveys. The Shelf Approval also applies to any affiliated company wholly owned by Harrah's Entertainment (an "Affiliate") that is a publicly traded corporation or would thereby become a publicly traded corporation pursuant to a public offering. The Shelf Approval also includes approval for the Gaming Subsidiaries to guarantee any security issued by, or to hypothecate their assets to secure the payment or performance of any obligations evidenced by a security issued by Harrah's Entertainment or an Affiliate in a public offering under the Shelf Approval. The Shelf Approval also includes approval to place restrictions upon the transfer of and entering into of agreements not to encumber the equity securities of the Gaming Subsidiaries. The Shelf Approval, however, may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop order by the Chairman of the Nevada Board. The Shelf Approval does not constitute a finding, recommendation or approval by the Nevada Commission or the Nevada Board as to the accuracy or adequacy of the prospectus or the investment merits of the securities offered. Any representation to the contrary is unlawful.

Changes in control of Harrah's Entertainment through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby he obtains control, may not occur without the prior approval of the Nevada Commission. Entities seeking to acquire control of a Registered Corporation must satisfy the Nevada Board and Nevada Commission in a variety of stringent standards prior to assuming control of such Registered Corporation. The Nevada Commission may also require controlling stockholders,

officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

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

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

4

selling of merchandise. Nevada licensees that hold manufacturer's or distributor's license also pay certain fees and taxes to the State of Nevada.

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

GAMING--NEW JERSEY

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

No casino hotel facility may operate unless the appropriate licenses and approvals are obtained from the New Jersey Commission, which has broad discretion with regard to the issuance, renewal and revocation or suspension of

the non-transferable casino licenses (which licenses are issued initially for a one-year period and renewable for one-year periods for the first two renewals and four-year periods thereafter), including the power to impose conditions which are necessary to effectuate the purposes of the New Jersey Act. Each applicant for a casino license must demonstrate, among other things, its financial stability (including establishing ability to maintain adequate casino bankroll, meet ongoing operating expenses, pay all local, state and federal taxes, make necessary capital improvements and pay, exchange, refinance, or extend all long and short term debt due and payable during the license term), its financial integrity and responsibility, its reputation for good character, honesty and integrity, the suitability of the casino and related facilities and that it has sufficient business ability and casino experience to establish the likelihood of creation or maintenance of a successful, efficient casino operation. With the exception of licensed lending institutions and certain "institutional investors" waived from the qualification requirements under the New Jersey Act, each applicant is also required to establish the reputation of its financial sources including, but not limited to, its financial backers, investors, mortgagees and bond holders.

The New Jersey Act requires that all officers, directors and principal employees of the casino licensees be licensed. In addition, each person who directly or indirectly holds any beneficial interest or

5

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

In the event a security holder of either equity or debt is required to qualify under the New Jersey Act, the provisions of the Interim Act may be triggered requiring, among other things, either: (i) the filing of a completed application for qualification within 30 days after being ordered to do so, which application must include an approved Trust Agreement pursuant to which all securities of Harrah's Entertainment (or its respective subsidiaries) held by the security holder must be placed in trust with a trustee who has been approved by the New Jersey Commission; or (ii) the divestiture of all securities of Harrah's Entertainment (or its respective subsidiaries) within 120 days after the New Jersey Commission determines that qualification is required or declines to waive qualification, provided the security holder files a notice of intent to divest within 30 days after the determination of qualification. If a security holder files an application pursuant to the Interim Act, during the period the Trust Agreement remains in place, such holder may, through the approved trustee, continue to exercise all rights incident to the ownership of the securities with

the exception that: (i) the security holder may only receive a return on its investment in an amount not to exceed the actual cost of the investment (as defined by the New Jersey Act) until the New Jersey Commission finds such holder qualified; and (ii) in the event the New Jersey Commission finds there is reasonable cause to believe that the security holder may be found unqualified, the Trust Agreement will become fully operative vesting the trustee with all rights incident to ownership of the securities pending a determination on such holder's qualifications; provided, however, that during the period the securities remain in trust, the security holder may petition the New Jersey Commission to: (a) direct the trustee to dispose of the trust

6

property; and (b) direct the trustee to distribute proceeds thereof to the security holder in an amount not to exceed the lower of the actual cost of the investment or the value of the securities on the date the Trust became operative. If the security holder is ultimately not found to be qualified, the trustee is required to sell the securities and to distribute the proceeds of the sale to the applicant in an amount not exceeding the lower of the actual cost of the investment or the value of the securities on the date the Trust became operative (if not already sold and distributed at the direction of the security holder) and to distribute the remaining proceeds to the Casino Revenue Fund. If the security holder is found qualified, the Trust Agreement will be terminated.

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

If, at any time, it is determined that Marina, Showboat or their holding companies have violated the New Jersey Act or regulations promulgated thereunder or that such companies cannot meet the qualification requirements of the New Jersey Act, Marina and/or Showboat could be subject to fines, or their licenses could be suspended or revoked. If Marina's or Showboat's license is suspended or revoked, the New Jersey Commission could appoint a Conservator to operate and dispose of the casino hotel facilities of Marina and/or Showboat. A Conservator would be vested with title to the assets of Marina and/or Showboat, subject to valid liens, claims and encumbrances. The Conservator would be required to act under the general supervision of the New Jersey Commission and would be charged with the duty of conserving, preserving and, if permitted, continuing the operation of the casino hotel. During the period of any such conservatorship, the Conservator may not make any distributions of net

earnings without the prior approval of the New Jersey Commission. The New Jersey Commission may direct that all or part of such net earnings be paid to the Casino Revenue Fund; provided, however, that a suspended or former licensee is entitled to a fair rate of return.

The New Jersey Commission granted Marina a plenary casino license in connection with Harrah's Atlantic City in November 1981, and granted Showboat a plenary casino license in connection with Showboat Casino Hotel in March 1987. Each of Marina's and Showboat's licenses has been renewed since then. In April 2000, the New Jersey Commission renewed Marina's license for a four-year period and also found Harrah's Entertainment and HOC to be qualified as holding companies of Marina. In January 2001, the New Jersey Commission renewed Showboat's license until April 2004 to be co-terminous with Marina's license and also found Harrah's Entertainment and HOC to be qualified as holding companies of Showboat.

GAMING--ILLINOIS

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

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

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

In determining whether to grant a license, the Illinois Gaming Board considers: (i) the character, reputation, experience and financial integrity of the applicant; (ii) the type of facilities (including riverboat and docking facilities) proposed by the applicant; (iii) the highest prospective total revenue to be derived by the State of Illinois from the conduct of riverboat gaming; (iv) affirmative action plans of the applicant, including minority training and employment; (v) the financial ability of the applicant to

purchase and maintain adequate liability and casualty insurance; and (vi) whether the applicant has adequate capitalization to provide and maintain, for the duration of a license, a riverboat. Municipal (or county, if a gaming riverboat is located outside of a municipality) approval of the docking of riverboats in the municipality (or county, if a gaming riverboat is located outside of a municipality) is required, and all documents, resolutions, and letters of support must be submitted with the initial application.

A holder of an owner's license is subject to the imposition of fines, suspension or revocation of its license for any act that is injurious to the public health, safety, morals, good order, and general welfare of the people of

the State of Illinois, or that would discredit or tend to discredit the Illinois gaming industry or the State of Illinois, including, without limitation:

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

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

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

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

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

The Illinois Gaming Board will require a Business Entity or Personal Disclosure Form and approval as a key person for any business entity or individual with an ownership interest or voting rights of more than 5% in a licensee, the trustee of any trust holding such ownership interest or voting rights, the directors of the licensee and its chief executive officer, president and chief operating officer, as well as any other individual or entities deemed by the Illinois Gaming Board to hold a position or a level of ownership, control or influence, that is material to the regulatory concerns and obligations of the Illinois Gaming Board. Each key person must file, on an annual basis, a disclosure affidavit, updated personal and background information, and updated tax and financial information. Key persons are required to promptly disclose to the Illinois Gaming Board any material changes in status or information previously provided to the Illinois Gaming Board, and to maintain their suitability as key persons. For the Illinois Gaming Board to identify potential key persons, each holder of an owner's license is required to file a table of organization, ownership and control with the Illinois Gaming Board to identify the individuals or entities that through direct or indirect means manage, own or control the interests and assets of the applicant or licensee. Based upon findings from an investigation into the character, reputation, experience, associations, business probity and financial integrity of a key person, the Illinois Gaming Board may enter an order upon the licensee requiring economic disassociation of a key person. Each licensee is required to provide a means for the economic disassociation of a key person in the event such disassociation is

required.

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

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

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

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

In 1999, the Illinois Riverboat Gambling Act was amended by Illinois Public Act 91-40 to, among other things, allow dockside gaming, the ownership of multiple casino licenses, and the movement of a riverboat gaming license from one location to another. Subsequently, a lawsuit was filed in a state circuit court challenging the constitutionality of certain aspects of the amendment. This lawsuit was dismissed on January 25, 2001. The plaintiffs are appealing the decision dismissing the lawsuit. If the appeal is successful, such that the case is reinstated and if the underlying lawsuit is ultimately successful, it may result in a finding that the entire amendment is unconstitutional. Such a finding could have a material adverse effect on the Company's ownership of multiple casino licenses and the operating results of the Company's riverboats.

As a condition of approving the acquisition of Players International, Inc., the Illinois Gaming Board required the Company to enter into a Transfer of Ownership Agreement. In 1999 the Illinois Riverboat Gambling Act was amended by Illinois Public Act 91-40, which, among other amendments described above, deleted the provision that prevented a person or entity from receiving an owner's license if that person or entity owned more than a 10% ownership interest in any entity holding an owner's license. Subsequently a lawsuit was filed in a state circuit court challenging the constitutionality of certain provisions of Public Act 91-40. In the event of a final, non-appealable judicial ruling after the exhaustion of all available avenues of review resulting in Public Act 91-40 being found invalid insofar as it relates to the provision prohibiting an ownership interest of more than 10% in multiple owners licenses and causing the reinstatement of that provision back into the Illinois Riverboat Gambling Act, the Transfer of Ownership Agreement would require the Company to place all of the shares of SIRCC into a trust. The Company has entered into a Trust Agreement with Lasalle Bank National Association, as trustee. Should the shares of SIRCC be placed into trust, the property would remain open and be managed for a fee by a subsidiary of the Company. While the shares of SIRCC are in trust, the Company would for a period of one year from the date the shares were placed into the trust, pursue a sale of those shares at fair market value. If such a sale does not occur during that period (or such period as extended by the Illinois Gaming Board), SIRCC's owners license would be relinquished unless the trust was otherwise extinguished pursuant to the terms of the Transfer of Ownership Agreement because of a legislative amendment to the Illinois Riverboat Gambling Act deleting the restriction on ownership interests in multiple owners licenses or a restructuring consistent with any such restriction should it remain. In the event SIRCC's owners license was relinquished, SIRCC would be obligated to pay the Illinois Gaming Board an amount equal to ninety percent of the operating profits earned during the time period the SIRCC shares were held in trust. On January 25, 2001, the Illinois circuit court dismissed the litigation challenging the validity of Public Act 91-40 on the grounds that the plaintiffs lacked standing to challenge the law and had failed to exhaust their administrative remedies. The court did not reach the merits of the plaintiffs' constitutional challenges.

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

The Mississippi Act requires that a person (including any corporation or other entity) be licensed to conduct gaming activities in the State of Mississippi. A license will be issued only for a specified location which has been approved in advance as a gaming site by the Mississippi Commission. Harrah's Vicksburg Corporation, an indirect subsidiary of the Company, is licensed to operate a casino in Vicksburg, Mississippi. Another indirect subsidiary of the Company, Tunica Partners II L.P., is the licensed operator of a casino in Tunica, Mississippi. Both Harrah's Vicksburg Corporation and Tunica Partners II L.P. were re-licensed by the Mississippi Commission in September of 2001 for a three year period. In addition, a parent company of a company holding a license must register under the Mississippi Act. The Company and HOC are registered with the Mississippi Commission.

11

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

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

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

The Mississippi Commission has the power to deny, limit, condition, revoke and suspend any license, finding of suitability or registration, or to fine any person, as it deems reasonable and in the public interest, subject to an opportunity for a hearing. The Mississippi Commission may fine any licensee or person who was found suitable up to \$100,000 for each violation of the

Mississippi Act or the Mississippi Regulations which is the subject of an initial complaint, and up to \$250,000 for each such violation which is the subject of any subsequent complaint. The Mississippi Act provides for judicial review of any final decision of the Mississippi Commission by petition to a Mississippi Circuit Court, but the filing of such petition does not necessarily stay any action taken by the Mississippi Commission pending a decision by the Circuit Court.

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

12

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

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

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

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

Commission shall not be permitted to have any direct or indirect ownership in Harrah's Entertainment common stock. Any person who is required to apply for a finding of suitability and fails to do so, or who fails to dispose of his or her interest in the Company's common stock if found unsuitable, is guilty of a misdemeanor. If a finding of suitability with respect to any person is not applied for where required, or if it is denied or revoked by the Mississippi Commission, the Company

13

is not permitted to pay such person for services rendered, or to employ or enter into any contract with such person.

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

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

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

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

GAMING--LOUISIANA

LAND BASED CASINO

On October 30, 1998, the plan of reorganization of Harrah's Jazz Company, a partnership formed for the purposes of developing, owning and operating the land-based casino in New Orleans, was consummated (the "Plan"). Pursuant to the Plan, a newly formed entity, Jazz Casino Company, L.L.C. ("JAZZ"), assumed responsibility for, among other things, operating the casino (the "New Orleans Casino") in accordance with a casino operating contract (the "Casino Contract") with the Louisiana Gaming Control Board ("LGCB"). In exchange for an equity investment, a subsidiary of the Company acquired, at the time of consummation of the Plan, approximately a 43% equity interest in JCC Holding Company, which is the sole owner of JAZZ. One of our subsidiaries, Harrah's New Orleans Management Company ("HNOMC") manages the New Orleans Casino pursuant to a management agreement with JAZZ. On January 4, 2001, JCC Holding Company, JAZZ and certain affiliated entities that own the casino, filed a petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code. See "Casino Entertainment-Managed Casinos-New Orleans." On January 12, 2001, JAZZ and its affiliates filed a Plan of Reorganization that was confirmed by the Bankruptcy Court on March 19, 2001, and became effective on March 29, 2001. Pursuant to this plan, the Company now holds an approximate 49% beneficial interest in the common stock of JCC Holding Company. The license to own and operate the casino derives from the casino operating contract, as amended ("Casino Contract"). Subject to the terms and conditions of the Casino Contract, the term of the authorization for gaming runs to July 2014, with a ten-year renewal period.

14

The ownership, management and operation of the New Orleans Casino are subject to pervasive governmental regulation, including regulation by the

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

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

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

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

Pursuant to the Gaming Act and Rules and Regulations, the LGCB has the authority to deny, revoke, suspend, limit, condition, or restrict any finding of suitability. Under the Rules and Regulations, the LGCB also has the authority to take further action against JAZZ or HNOMC on the grounds that a person found suitable as required by the Gaming Act is associated with, or controls, or is controlled

by, or is under common control with, an unsuitable or disqualified person. Pursuant to the Rules and Regulations and the Casino Contract, if at any time the LGCB finds that any person required to be and remain suitable has failed to demonstrate suitability, the LGCB may, consistent with the Gaming Act and the Casino Contract, take any action that the LGCB deems necessary to protect the public interest. Pursuant to the Rules and Regulations, however, if a person associated with JAZZ, HNOMC or their affiliate, intermediary or holding companies, as the case may be, has failed to be found or remain suitable, the LGCB will not declare such companies unsuitable as a result if such companies comply with the conditional licensing provisions, take immediate good faith action and comply with any order of the LGCB to cause such person to dispose of

its interest, and, before such disposition, ensure that the disqualified person does not receive any ownership benefits. The above safe harbor protections do not apply if JAZZ, HNOMC or their affiliate, intermediary, or holding companies, as the case may be: (i) fail to remain suitable, (ii) had actual or constructive knowledge of the facts that are the basis of the LGCB regulatory action and failed to take appropriate action, or (iii) are so tainted by such person that it affects the suitability of such entity under the standards of the Gaming Act.

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

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

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

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

16

or more economic interest in JAZZ is grounds for cancellation of the Casino Contract or license suspension or revocation.

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

The Gaming Act requires that JAZZ adopt written policies, procedures, and regulations to allow the participation of businesses owned by minorities in all design, engineering, and construction contracts and/or projects to the maximum extent practicable. The Rules and Regulations provide that JAZZ and HNOMC must take the foregoing actions with respect to all design, engineering,

construction, banking and maintenance contracts and any other projects initiated by JAZZ and HNOMC. The Gaming Act further requires JAZZ, as nearly as practicable, to employ minorities consistent with the population of the State. The Rules and Regulations extend this obligation to HNOMC as well.

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

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

17

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

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

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

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

Pursuant to the Gaming Act, a holder of a security interest in a gaming device who asserts the right to ownership or possession of the encumbered property may be granted a one-time, nonrenewable, provisional contract for a

maximum of 90 days for the sole purpose of acquiring ownership or possession for resale to a licensed or approved person, all in accordance with rules and regulations to be promulgated by the LGCB. The Rules and Regulations do not yet include a rule and regulation on this provision.

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

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

18

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

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

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

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

RIVERBOAT CASINOS

The ownership and operation of a gaming riverboat in Louisiana is subject to extensive regulation pursuant to the Louisiana Riverboat Economic Development and Gaming Control Act (the "Act") and the rules and regulations promulgated thereunder. The LGCB and the Casino Gaming Division ("Division"), a part of the Louisiana State Police, are charged with such regulatory authority, including the issuance of riverboat gaming licenses. The number of licenses to conduct

gaming on a riverboat is limited by statute to fifteen. No more than six licenses may be granted for the operation of gaming activities on riverboats in any one parish (county). In general, riverboat gaming in Louisiana can be conducted legally only on approved riverboats and, as of April 1, 2001, all such riverboats can be continuously docked.

19

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

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

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

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

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

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

20

GAMING--INDIANA

In 1993, the State of Indiana passed a Riverboat Gambling Act, which created the Indiana Gaming Commission ("Indiana Commission"). The Indiana Commission is given extensive powers and duties for the purposes of administering, regulating

and enforcing the system of riverboat gaming. It is authorized to award no more than 11 gaming licenses (five to counties contiguous to Lake Michigan, five to counties contiguous to the Ohio River and one to a county contiguous to Patoka Lake). The Indiana Commission has issued ten of these eleven licenses--four in Lake County Indiana; one in LaPorte County; one in Vanderburgh County; one in Ohio County; one in Dearborn County; one in Harrison County; and one in Switzerland County. Additionally, the Indiana Commission has not considered applicants for the eleventh license because the Patoka Lake site has been determined by the U.S. Army Corp. of Engineers as an unsuitable site for development of a casino vessel project.

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

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

In determining whether to grant an owner's license to an applicant, the Indiana Commission considers: (1) the character, reputation, experience and financial integrity of the applicant and any person who (a) directly or indirectly controls the applicant, or (b) is directly or indirectly controlled by either the applicant or a person who directly or indirectly controls the applicant; (2) the facilities or proposed facilities for the conduct of riverboat gaming; (3) the highest total prospective revenue to be collected by the state from the conduct of riverboat gaming; (4) the good faith affirmative action plan to recruit, train and upgrade minorities in all employment classifications; (5) the financial ability of the applicant to purchase and maintain adequate liability and casualty insurance; (6) whether the applicant has adequate capitalization to provide and maintain the riverboat for the duration of the license; and (7) the extent to which the applicant meets or exceeds other standards adopted by the Indiana Commission. The Indiana Commission may also give favorable consideration to applicants for economically depressed areas and applicants who provide for significant development of a large geographic area. Each applicant must pay an application fee of \$50,000 and additional fees may be assessed for the background investigation. If the applicant is selected, the applicant must pay an initial license fee of \$25,000 and post a bond, and thereafter, pay an annual license renewal fee of \$5,000.

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

radius. Adherence to the non-competition declaration is a condition of the owner's license. The non-competition declaration expires April 15, 2002. A gaming license is a revocable privilege and is not a property right.

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

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

owner's license, SMCP has agreed to: (1) provide certain fixed incentives of approximately \$16.4 million to the City of East Chicago and its agencies for transportation, job training, home buyer assistance and discrete economic development initiatives; (2) pay 3% of adjusted gross receipts divided equally among the City and two not-for-profit foundations for infrastructure improvements, education and community development; and (3) pay 0.75% of adjusted gross receipts for community development projects to East Chicago Second Century, Inc. ("Second Century"), a for-profit corporation owned by former owners of Waterfront but, in terms of expenditures, controlled by the City. Funding for the projects will be derived from contributions to Second Century from SMCP as well as funds from other third-party sources.

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

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

An institutional investor (as defined in the Rules of the Indiana Commission) that acquires between 5% and 15% of any class of voting securities of a holding company of a licensee is required to notify the Indiana Commission and to provide additional information, and may be subject to a finding of suitability. Ownership of 15% or more of any class of voting securities of a holding company of a licensee requires that an application be submitted for a finding of suitability within forty-five (45) days after acquiring the securities.

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

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

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

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

The Indiana Commission adopted a rule that prohibits a distribution by a riverboat licensee to its partners, shareholders, itself, or any affiliated entity, if the distribution would impair the financial viability of the riverboat gambling operation. The Indiana Commission has proposed another rule,

23

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

GAMING--MISSOURI

The ownership and operation of a gaming riverboat in Missouri is subject to extensive regulation pursuant to the Missouri Riverboat Gambling Act and the rules and regulations promulgated thereunder. A five-member Missouri Gaming Commission ("Commission") is charged with such regulatory authority, including the issuance of riverboat gaming licenses. Harrah's North Kansas City LLC, an indirect subsidiary of Harrah's, has been issued two licenses by the Commission to conduct riverboat gaming at its North Kansas City location. One of those licenses ("Mardi Gras") was renewed for a two year period in May 2000. The other license ("North Star") was renewed for a two year period in September 2000. The Company has increased the gaming space on the Mardi Gras riverboat.

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

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

To obtain a gaming license, applicants must submit comprehensive application forms, be fingerprinted and undergo an extensive background investigation by the Commission. An applicant is ineligible to receive an owner's license if the applicant has not established good reputation and moral character or if the applicant, any of its officers, directors or managerial employees or any person who participates in the management or operation of gaming operations has been convicted of a felony. Each license granted entitles a licensee to own and/or operate an excursion gambling boat and equipment thereon from a specific location. The duration of the license initially runs for two one-year terms followed by two-year terms. The Commission also licenses the serving of alcoholic beverages on riverboats and adjacent facilities. All local income, earnings, use, property and sales taxes are applicable to licensees. Local jurisdictions, however, may not impose any taxes leveled solely on holders of a gaming license.

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

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

24

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

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

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

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

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

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

25

GAMING--IOWA

References in this section to "we", "the Company", "Harveys", or to other Harveys companies refers to Harveys Casino Resorts and/or its subsidiaries, which Harrah's Entertainment, Inc. acquired on July 31, 2001.

The State of Iowa first authorized excursion gambling boat activities in 1989 and authorized slot machines at racetrack enclosures in 1994. The Iowa Racing and Gaming Commission (the "Iowa Commission") has the authority to grant and review licenses to owners and operators of excursion gambling boats and pari-mutuel racetracks, and has the further authority to adopt and enforce rules governing a broad range of subjects dealing with excursion gambling boat facilities and racetrack enclosures and operations. The Iowa Commission consists of five members appointed by the governor and confirmed by the state senate. Members serve a term not to exceed three years at the pleasure of the governor.

Pursuant to Iowa law relating to excursion gambling boats, a non-profit organization and a for-profit organization may receive a joint license to operate an excursion gambling boat. The Company, together with Iowa West Racing Association, a qualified sponsoring organization, have been granted the necessary licenses to own and operate the current gambling facilities and activities on the riverboat casino at Harrah's Casino & Hotel (f/k/a "Harveys Casino Hotel") each year since 1995. The excursion boat gambling license, which is subject to annual renewal, currently expires March 31, 2002.

Pursuant to Iowa law relating to racetracks, only a non-profit organization, an operator of fairs or a state agency or political subdivision may hold a track license. No one can obtain a racetrack slot casino license today, unless they held a license to operate a pari-mutuel racetrack operation on January 1, 1994. Iowa West Racing Association, a qualified non-profit organization, holds the pari-mutuel license to operate the dog track and the gaming racetrack enclosure license to operate the slot machine casino all at Bluffs Run Casino. The Bluffs Run pari-mutuel dogtrack license and the Bluffs Run gambling license for a racetrack enclosure expire December 31, 2002, and are subject to annual renewal.

All licenses are granted upon the condition that the license holders accept, observe and enforce all applicable laws, regulations, ordinances, rules and orders applicable to them. Any violation by a license holder, including its employees or agents, may result in disciplinary action, including the suspension or revocation of any license previously granted.

On October 6, 1999, Harveys completed the purchase of Bluffs Run Casino from Iowa West Racing Association and paid the seller approximately \$115.0 million. Harveys is obligated to pay additional consideration to the seller of up to \$50.0 million, pending the results of a required referendum on the continuation of gaming at pari-mutuel racetracks to be decided in 2002 by the voters of Pottawattamie County, Iowa. Harveys generally is obligated to pay to the seller \$45.0 million of additional consideration plus a \$5.0 million bonus unless either the referendum is not approved or a slots casino cannot continue to be operated at Bluffs Run Casino under then-applicable law. If Harveys is not obligated to pay the additional consideration because the referendum was not approved or a challenge to the referendum exists, but the operation of a slots casino at Bluffs Run Casino can continue through December 31, 2003, without being interrupted as a result of the referendum or any referendum challenge, then Harveys is obligated to pay to the seller \$10.0 million on December 31, 2003, and \$2.5 million on the last day of each complete calendar quarter thereafter for the shorter of (i) the period during which Harveys can continue to operate a slots casino at Bluffs Run Casino and (ii) a period of eight quarters if referendum approval was not obtained and 16 quarters if Harveys is not obligated to pay the additional consideration because of a referendum challenge.

At the closing of the acquisition of Bluffs Run Casino, Harveys Iowa Management Company, Inc. and Iowa West Racing Association entered into an amended and restated excursion gambling boat

sponsorship and operating agreement relating to Harveys' operation of its excursion gambling boat casino. The operating agreement's term continues through December 31, 2010, and during the agreement, Harveys is to pay Iowa West Racing Association a fee equal to a percentage of the adjusted gross gaming receipts generated from the boat operation and further agreed to pay and hold Iowa West Racing Association harmless from the admissions fee payable to the Iowa Commission and the local municipality and state wagering tax imposed by Iowa law. Following the expiration of the term of the operating agreement, such agreement may be extended for five successive three-year periods.

Also, on October 6, 1999, Harveys BR Management Company and Iowa West Racing Association entered into a management agreement whereby Harveys BR Management Company is to manage the pari-mutuel racetrack facility and casino operations including simulcast of greyhound or horse racing and the slot machines for a minimum of 25 years, during which Harveys is to receive a management fee equal to a percentage of the cash flow as that term is defined in the management agreement. On the same day, October 6, 1999, HBR Realty Company, a Harveys subsidiary, purchased the Bluffs Run Casino assets, except for the slot machines, from Iowa West Racing Association and leased the same back to Iowa West Racing Association for an initial term ending October 5, 2024, which lease is renewable for additional terms by the mutual agreement of the parties. Harveys is to receive rent payments equal to a percentage of cash flow as that term is defined in the lease agreement, except that Iowa West Racing Association is entitled to \$1,350,000 of cash flow payable every six months in arrears following the acquisition until the fifth business day following the date that the results of the required referendum on the continuation of gaming at pari-mutuel racetracks, as described above, are certified to the County Auditor of Pottawattamie County. Pursuant to the terms of the management and lease agreements, Harveys receives management fees and lease income generally equal to the ongoing cash flow from the operations of Bluffs Run Casino. All of the agreements outlined here were approved by the Iowa Commission in September 1999.

Pursuant to Iowa law, gambling licenses may only be granted by the Iowa Commission in those counties that have approved the conduct of gambling games in a county-wide referendum. Gambling games, both at a racetrack enclosure and on riverboats, have been approved by the county electorate in Pottawattamie County, Iowa, the location of both Harrah's Casino & Hotel and Bluffs Run Casino. However, a referendum can be requested at any time by a petition of the voters and must be reapproved by the county electorate for both types of gambling activities at the general election in 2002 and each eight years thereafter. There can be no assurance that either type of gambling activities will be approved at the next referendum to be held in November 2002, in subsequent referenda held every eight years thereafter, or in the event of a petition referendum. If the gambling referenda do not pass in the county where the licenses are held, the excursion gambling boat licenses may remain valid, as described below, for a total of nine years from the date of original issue, which, in the case of Harveys, would be nine years from January 27, 1995, or January 26, 2004. Currently, the excursion gambling boat license with respect to Harrah's Casino & Hotel is renewed annually in March for a one year term commencing April 1. The license that may be issued effective April 1, 2002, under current law, could remain valid following a referendum defeat in November 2002, and the Iowa Commission could renew the license effective April 1, 2003, so that such license would be valid until January 26, 2004.

Racetracks do not have a similar original license concept allowing them to operate via renewals by the Iowa Commission until the expiration of nine years from the date they were first licensed. In the event a negative referendum vote occurred in 2002, Bluffs Run Casino would likely have to cease casino gaming operations in a relatively short time following the referendum defeat, probably pursuant to an order of the Iowa Commission.

Following the issuance of a gaming license, the Iowa Commission monitors and supervises the activities of the licensee. Material contracts to be entered into by the licensee, changes in ownership of the licensee, management contracts, and acquisitions of interest in other gambling activities by the

licensee or its owners must all be reported to, and approved by, the Iowa Commission. Further, the Iowa Commission has the authority to:

- (1) determine the payouts from the gambling games;
- (2) determine race schedules;
- (3) set the payout rate for all slot machines;

(4) establish an admission fee to excursion gambling boats payable to the Iowa Commission;

(5) define the excursion season and the duration of an excursion; and

(6) define the race season and total number of races to be held.

For excursion gambling boats, Iowa law authorizes the imposition of an admission fee, set by and payable to the Iowa Commission, on each person embarking on an excursion gambling boat. An additional admission fee may be imposed by the municipality in which the gambling operation is located. In practice, the Iowa Commission has not imposed a per-person admission fee, but rather has imposed a fee on each excursion gambling boat based upon the estimated costs of supervision and enforcement to be incurred by the Iowa Commission for the ensuing fiscal year. For the 2002-2003 fiscal year, beginning July 5, 2002, the fee is \$8,667 per week. A \$0.50 per person admission fee is also payable to the City of Council Bluffs, Iowa. Further, Iowa law imposes an annual wagering tax ranging from 5% on the first \$1.0 million of adjusted gross receipts from gambling games to 20% on adjusted gross receipts in excess of \$3.0 million.

For dog tracks, Iowa law requires the payment of a licensing fee of \$200 for each racing day. In addition, a licensee is required to pay the State of Iowa the sum of \$.50 for each person entering the racetrack grounds or enclosure. There is also a wagering tax imposed on the gross sum wagered at the dog track at the following rate:

(1) 6% if the gross sum wagered in the racing season is \$55.0 million or more;

(2) 5% if the gross sum wagered in the racing season is \$30.0 million or more, but less than \$55.0 million;

(3) 4% if the gross sum wagered in the racing season is less than \$30.0 million.

For pari-mutuel slot casinos there is an escalating wagering tax, which is currently 32% of the gross receipts from the slot machine casino, which rate goes up two percent per year every January 1 until it reaches a maximum of 36% on January 1, 2004.

The Racing Association of Central Iowa, which operates the horse track in Altoona (Des Moines), Iowa, brought an action on June 25, 1998, in the Iowa District Court, in and for Polk County, alleging that the escalating racetrack casino tax violates the United States and Iowa Constitutions. The Dubuque Racing Association (licensee of the Dubuque dog track), the Iowa West Racing Association (licensee of the Bluffs Run Casino), and the Iowa Greyhound Association also joined as plaintiffs in the case. In December 2000, the Iowa District Court rejected the plaintiffs constitutional challenge. The plaintiffs have appealed to the Iowa Supreme Court. Briefs to the Iowa Supreme Court have been submitted and it is anticipated that the case will be argued before the Court in 2002 and that a decision will be rendered later in 2002 or early 2003.

Excursion gambling boat activities are also subject to safety and inspection requirements of the State of Iowa and the U.S. Coast Guard. These requirements:

(1) set limits on the operation of the vessel;

(2) mandate that it must be operated by a minimum complement of licensed personnel;

28

(3) establish periodic inspections, including the physical inspection of the outside hull; and

(4) establish other mechanical and operations rules.

GAMING--COLORADO

References in this section to "we", "us", "our", "Harveys", "Harveys Wagon Wheel" or to other Harveys companies refers to Harveys Casino Resorts and/or its subsidiaries, which the Company acquired on July 21, 2001.

The State of Colorado created the Division of Gaming (the "Colorado Division") within the Department of Revenue to license, implement, regulate and supervise the conduct of limited gaming under the Colorado Limited Gaming Act. The Director of the Colorado Division (the "Colorado Director"), pursuant to regulations promulgated by, and subject to the review of, a five-member Colorado Limited Gaming Control Commission (the "Colorado Commission"), has been granted broad power to ensure compliance with the Colorado gaming laws and regulations

(the "Colorado Regulations"). The Colorado Director may inspect, without notice, impound or remove any gaming device. The Colorado Director may examine and copy any licensee's records, may investigate the background and conduct of licensees and their employees, and may bring disciplinary actions against licensees and their employees. The Colorado Director may also conduct detailed background investigations of persons who loan money to, or otherwise provide financing to, a licensee.

The Colorado Commission is empowered to issue five types of gaming and gaming-related licenses, and has delegated authority to the Colorado Director to issue certain types of licenses. The licenses are revocable and non-transferable. Harveys Wagon Wheel's failure or inability, or the failure or inability of others associated with Harveys Wagon Wheel to maintain necessary gaming licenses or approvals would have a material adverse effect on Harveys operations. All persons employed by Harveys Wagon Wheel and involved, directly or indirectly, in gaming operations in Colorado also are required to obtain a Colorado gaming license. All licenses must be renewed annually, except those held by key and support employees, which must be renewed every two years.

As a general rule, pursuant to the Colorado Regulations, no person may have an ownership interest in more than three retail gaming licenses in Colorado. The Colorado Commission has ruled that a person does not have an ownership interest in a retail licensee for purposes of the multiple license prohibition if:

(1) that person has less than a 5% ownership interest in an institutional investor which has an ownership interest in a publicly traded licensee or publicly traded company affiliated with a licensee;

(2) a person has a 5% or more ownership interest in an institutional investor, but the institutional investor has less than a 5% ownership interest in a publicly traded licensee or publicly traded company affiliated with a licensee;

(3) an institutional investor has less than a 5% ownership interest in a publicly traded licensee or publicly traded company affiliated with a licensee;

(4) an institutional investor possesses voting securities in a fiduciary capacity for another person and does not exercise voting control over 5% or more of the outstanding voting securities of a publicly traded licensee or publicly traded company affiliated with a licensee;

(5) a registered broker or dealer retains possession of voting securities of a publicly traded licensee or publicly traded company affiliated with a licensee for its customers in street name or otherwise, and exercises voting rights for less than 5% of the outstanding voting securities of the publicly traded licensee or publicly traded company affiliated with a licensee;

29

(6) a registered broker or dealer acts as a market maker for the stock of a publicly traded licensee or publicly traded company affiliated with a licensee and possesses a voting interest in less than 5% of the outstanding voting securities of the publicly traded licensee or publicly traded company affiliated with a licensee;

(7) an underwriter is holding securities of a publicly traded licensee or publicly traded company affiliated with a licensee as part of an underwriting for no more than 90 days after the beginning of such underwriting if it exercises voting rights of less than 5% of the outstanding voting securities of a publicly traded licensee or publicly traded company affiliated with a licensee;

(8) a book entry transfer facility holds voting securities for third parties, if it exercises voting rights with respect to less than 5% of the outstanding voting securities of a publicly traded licensee or of a publicly traded company affiliated with a licensee; or

(9) a person owns less than 5% of the outstanding voting securities of the publicly traded licensee or publicly traded company affiliated with a licensee.

Hence, our business opportunities in Colorado and those of persons with an ownership interest in us, are limited to interests that comply with the Colorado Regulations and the Colorado Commission's ruling.

In addition, pursuant to the Colorado Regulations, no manufacturer or distributor of slot machines or associated equipment may, without notification being provided to the Colorado Division within 10 days, knowingly have an interest in any casino operator, allow any of its officers or any other person

with a substantial interest in such business to have such an interest, employ any person if that person is employed by a casino operator, or allow any casino operator or person with a substantial interest therein to have an interest in a manufacturer's or distributor's business. A substantial interest means the lesser of (i) as large an interest in an entity as any other person or (ii) any financial or equity interest equal to or greater than 5 percent. The Colorado Commission has ruled that a person does not have a substantial interest if such person's sole ownership interest in such licensee is through the ownership of less than 5% of the outstanding voting securities of a publicly traded licensee or publicly traded affiliated company of a licensee.

Counsel for the Colorado Division has informed counsel for Harveys that, for purposes of the manufacturer/operator vertical integration rule and the horizontal three-license rule described above, the Colorado Division has taken the position that only a person deemed to have beneficial ownership (as defined in Section 13(d) of the Exchange Act and the rules and regulations thereunder) of shares of the publicly traded licensee or publicly traded company affiliated with the licensee will be deemed to have an interest under the vertical integrating rule or an ownership interest under the horizontal three-license rule. However, neither the Colorado Commission nor the Colorado Legislature has addressed these issues. As a result there is no assurance that the Colorado Division, the Colorado Commission or the Colorado Legislature will not apply a more restrictive interpretation.

Pursuant to the Colorado Regulations, any person or entity having any direct or indirect interest in a gaming licensee or an applicant for a gaming license, including, but not limited to, us and our security holders, may be required to supply the Colorado Commission with substantial information, including, but not limited to, background information, source of funding information, a sworn statement that the person or entity is not holding his or her interest for any other party, and fingerprints. Such information, investigation and licensing (or finding or suitability) as an associated person automatically will be required of all persons (other than certain institutional investors discussed below) who directly or indirectly beneficially own 10% or more of a direct or indirect beneficial ownership or interest in Harveys Wagon Wheel, through their beneficial ownership of any class of voting securities of the Company. Those persons must report their interest within 10 days and file appropriate applications within 45 days after acquiring that interest. Persons who directly or indirectly beneficially own 5% or

30

more (but less than 10%) of a direct or indirect beneficial ownership or interest in Harveys Wagon Wheel, through their beneficial ownership of any class of voting securities of the Company, must report their interest to the Colorado Commission within 10 days after acquiring that interest and may be required to provide additional information and to be found suitable. (It is the current practice of the gaming regulators to require findings of suitability for persons beneficially owning 5% or more of a direct or indirect beneficial ownership or interest, other than certain institutional investors discussed below.) If certain institutional investors provide specified information to the Colorado Commission and are holding for investment purposes only, those investors, at the Colorado Commission's discretion, may be permitted to own up to 14.99% of Harveys Wagon Wheel, through their beneficial ownership of any class of voting securities of the Company before being required to be found suitable. All licensing and investigation fees will have to be paid by the person in question.

The Colorado Regulations define a voting security to be a security, the holder of which is entitled to vote generally for the election of a member or members of the board of directors or board of trustees of a corporation or a comparable person or persons of another form of business organization.

The Colorado Commission also has the right to request information from any person directly or indirectly interested in, or employed by, a licensee, and to investigate the moral character, honesty, integrity, prior activities, criminal record, reputation, habits and associations of:

- (1) all persons licensed pursuant to the Colorado Limited Gaming Act,
- (2) all officers, directors and stockholders of a licensed privately held corporation,
- (3) all officers, directors and stockholders holding either a 5% or greater interest or a controlling interest in a licensed publicly traded corporation,
- (4) all general partners and all limited partners of a licensed partnership,
- (5) all persons which have a relationship similar to that of an officer, director or stockholder of a corporation (such as members and managers of a

limited liability company),

(6) all persons supplying financing or loaning money to any licensee connected with the establishment or operations of limited gaming,

(7) all persons having a contract, lease or ongoing financial or business arrangement with any licensee, where such contract, lease or arrangement relates to limited gaming operations, equipment, devices or premises, and

(8) all persons contracting with or supplying any goods and services to the gaming regulators.

Certain public officials and employees are prohibited from having any direct or indirect interest in a license or limited gaming.

In addition, pursuant to the Colorado Regulations, every person who is a party to a gaming contract or lease with an applicant for a license, or with a licensee, upon the request of the Colorado Commission or the Colorado Director, must promptly provide to the Colorado Commission or Colorado Director all information that may be requested concerning financial history, financial holdings, real and personal property ownership, interests in other companies, criminal history, personal history and associations, character, reputation in the community, and all other information which might be relevant to a determination of whether a person would be suitable to be licensed by the Colorado Commission. Failure to provide all information requested constitutes sufficient grounds for the Colorado Commission or the Colorado Director to require a licensee or applicant to terminate its gaming contract (as defined below) or lease with any person who failed to provide the information requested. In addition, the Colorado Commission or the Colorado Director may require changes in gaming contracts before an application is approved or participation in the contract is allowed. A

31

gaming contract is defined as an agreement in which a person does business with or on the premises of a licensed entity.

Except under limited circumstances relating to slot machine manufacturers and distributors, every person supplying goods, equipment, devices or services to any licensee in return for payment of a percentage, or calculated upon a percentage, of limited gaming activity or income must obtain an operator's license or be listed on the retailer's license where such limited gaming will take place. With respect to the foregoing requirement, it is the current practice of the Colorado Division to require manufacturers and distributors to obtain an operator's license if the limited exceptions do not apply to them and to require other persons to be listed as associated persons on the license of the applicable retailer.

An application for licensure or suitability may be denied for any cause deemed reasonable by the Colorado Commission or the Colorado Director, as appropriate. Specifically, the Colorado Commission and the Colorado Director must deny a license to any applicant who among other things:

(1) fails to prove by clear and convincing evidence that the applicant is qualified;

(2) fails to provide information and documentation requested;

(3) fails to reveal any fact material to qualification, or supplies information which is untrue or misleading as to a material fact pertaining to qualification;

(4) has been convicted of, or has a director, officer, general partner, stockholder, limited partner or other person who has a financial or equity interest in the applicant who has been convicted of, specified crimes, including the service of a sentence upon conviction of a felony in a correctional facility, city or county jail, or community correctional facility or under the state board of parole or any probation department within ten years prior to the date of the application, gambling-related offenses, theft by deception or crimes involving fraud or misrepresentation, is under current prosecution for such crimes (during the pendency of which license determination may be deferred), is a career offender or a member or associate of a career offender cartel, or is a professional gambler; or

(5) has refused to cooperate with any state or federal body investigating organized crime, official corruption or gaming offenses.

If the Colorado Commission determines that a person or entity is unsuitable to directly or indirectly own interests in the Company then we may be sanctioned, which may include the loss of our approvals and licenses.

The Colorado Commission does not need to approve in advance a public offering of securities but rather requires a filing of notice and additional documents with regard to a public offering of voting securities prior to such public offering. The Colorado Commission may, in its discretion, require additional information and prior approval of such public offering.

In addition, the Colorado Regulations prohibit a licensee or affiliated company thereof, such as the Company, from paying any unsuitable person any dividend or interest upon any voting securities or any payments of distributions of any kind (except as set forth below), or paying any unsuitable person any remuneration for services, or recognizing the exercise of any voting rights by any unsuitable person. Further, pursuant to the Colorado Regulations, Harveys Wagon Wheel may repurchase its voting securities from anyone found unsuitable at the lesser of the cash equivalent to the original investment in Harveys Wagon Wheel or the current market price as of the date of the finding of unsuitability unless such voting securities are transferred to a suitable person (as determined by the Colorado Commission) within 60 days after the finding of unsuitability. A licensee or affiliated company must pursue all lawful efforts to require an unsuitable person to relinquish all voting securities, including by purchasing such voting securities. The Staff for the Colorado Division has taken the position that a

32

licensee or affiliated company may not pay any unsuitable person any interest, dividend or other payments with respect to non-voting securities, other than with respect to pursuing all lawful efforts to require such unsuitable person to relinquish such non-voting securities, including by purchasing or redeeming such securities. Further, the regulations require anyone with a material involvement with a licensee, including a director or officer of a holding company, such as the Company, to file for a finding of suitability if required by the Colorado Commission.

Because of their authority to deny an application for a license or suitability, the Colorado Commission and the Colorado Director effectively can disapprove a change in corporate structure of a licensee and with respect to any entity which is required to be found suitable, or indirectly can cause us to suspend or dismiss managers, officers, directors and other key employees or sever relationships with other persons who refuse to file appropriate applications or whom the authorities find unsuitable to act in such capacities.

The sale, lease, purchase, conveyance or acquisition of a controlling interest in Harveys Wagon Wheel is subject to the approval of the Colorado Commission. Under some circumstances, we may not sell any interest in our Colorado gaming operations without the prior approval of the Colorado Commission.

Harveys Wagon Wheel must meet specified architectural requirements, fire safety standards and standards for access for disabled persons. Harveys Wagon Wheel also must not exceed specified gaming square footage limits as a total of each floor and the full building. The casino at Harveys Wagon Wheel may operate only between 8:00 a.m. and 2:00 a.m. and may permit only individuals 21 years or older to gamble in the casino. It may permit only slot machines, blackjack and poker, with a maximum single bet of \$5.00. Harveys Wagon Wheel may not provide credit to its gaming patrons.

A licensee is required to provide information and file periodic reports with the Colorado regulators, including identifying those who have 5% or greater ownership, financial or equity interest in the licensee, or who have the ability to control the licensee, or who have the ability to exercise significant influence over the licensee, or who loan money or other things of value to a licensee, or who have a right to share in revenues of limited gaming, or to whom any interest or share in profits of limited gaming has been pledged as security for a debt or performance of an act. A licensee, and any parent company or subsidiary company of a licensee, who has applied to a foreign jurisdiction for licensure or permission to conduct gaming, or who possesses a license to conduct foreign gaming, is required to notify the Colorado regulators. Any person licensed by the Colorado Commission and any associated person of a licensee must report criminal convictions and criminal charges to the Colorado regulators.

The Colorado regulators have broad authority to sanction, fine, suspend and revoke licenses for violations of the Colorado Regulations. Violations of many provisions of the Colorado Regulations also can result in criminal penalties.

The Colorado Constitution currently permits gaming only in a limited number of cities and some commercial districts.

The Colorado Constitution permits a gaming tax of up to 40% on adjusted gross gaming proceeds, and authorizes the Colorado Commission to change the rate annually. The current gaming tax rate is 0.25% on adjusted gross gaming proceeds

of up to and including \$2.0 million, 2% over \$2.0 million up to and including \$4.0 million, 4% over \$4.0 million up to and including \$5.0 million, 11% over \$5.0 million up to and including \$10.0 million, 16% over \$10.0 million up to and including \$15.0 million and 20% on adjusted gross gaming proceeds in excess of \$15.0 million. Central City has imposed an annual device fee of \$1,265 per gaming device and may revise such fee from time to time.

The sale of alcoholic beverages is subject to licensing, control and regulation by the State of Colorado and Central City ("Colorado Liquor Agencies"). All persons who directly or indirectly hold a

33

10% or more interest in, or 10% or more of the issued and outstanding capital stock of Harveys Wagon Wheel, through their ownership of Harveys, must file applications and possibly be investigated by the Colorado Liquor Agencies. The Colorado Liquor Agencies also may investigate those persons who, directly or indirectly, loan money to or have any financial interest in liquor licensees. In addition, there are restrictions on stockholders, directors and officers of liquor licensees from being a stockholder, director, officer or otherwise interested in some persons lending money to liquor licensees or from making loans to other liquor licensees. All licenses are revocable and transferable only in accordance with all applicable laws. The Colorado Liquor Agencies have the full power to limit, condition, suspend or revoke any liquor license and any disciplinary action could (and revocation would) have a material adverse effect upon the operations of Harveys Wagon Wheel. Harveys Wagon Wheel holds a hotel and restaurant liquor license for its casino hotel and restaurant operations, rather than a gaming tavern license. Accordingly, no person directly or indirectly interested in Harveys Wagon Wheel may be directly or indirectly interested in most other types of liquor licenses, and specifically cannot be directly or indirectly interested in an entity that holds a gaming tavern license.

INDIAN GAMING

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

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

34

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

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

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

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