

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2005

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 89119
(Current address of principal executive offices)

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

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

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

As of July 31, 2005, there were 183,608,345 shares of the Company's Common Stock outstanding.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited Consolidated Condensed Financial Statements of Harrah's Entertainment, Inc., a Delaware corporation, have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and notes necessary for complete financial statements in conformity with generally accepted accounting principles in the United States. The results for the periods indicated are unaudited, but reflect all adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair presentation of operating results.

As discussed in Note 4 to these Consolidated Condensed Financial Statements, on June 13, 2005, Harrah's Entertainment, Inc., completed the acquisition of Caesars Entertainment, Inc. These Consolidated Condensed Financial Statements include the financial results of Caesars Entertainment, Inc. subsequent to the acquisition date. In addition, these Consolidated Condensed Financial Statements have been prepared based on a preliminary purchase price allocation, utilizing estimated useful lives and amortization periods. The purchase price allocation will be finalized within one year of the date of the acquisition and the estimates of useful lives and amortization periods are subject to adjustment.

Results of operations for interim periods are not necessarily indicative of a full year of operations. These Consolidated Condensed Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in our 2004 Annual Report to Stockholders.

(In millions, except share amounts)

2005

2004

ASSETS		
Current assets		
Cash and cash equivalents	\$ 643.0	\$ 489.0
Receivables, less allowance for doubtful accounts of \$100.4 and \$48.6	339.4	130.5
Deferred income taxes	140.2	30.1
Income tax receivable	18.4	46.0
Prepayments and other	146.7	66.0
Inventories	62.5	25.6
Total current assets	<u>1,350.2</u>	<u>787.2</u>
Land, buildings, riverboats and equipment	13,956.4	6,520.7
Less: accumulated depreciation	<u>(1,950.0)</u>	<u>(1,775.7)</u>
	12,006.4	4,745.0
Assets held for sale (Notes 1 and 10)	224.9	502.6
Goodwill (Notes 3 and 4)	4,300.1	1,354.7
Intangible assets (Notes 3 and 4)	899.0	861.4
Deferred costs and other	653.0	334.7
	<u>\$ 19,433.6</u>	<u>\$ 8,585.6</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 313.4	\$ 174.5
Accrued expenses	1,199.9	577.7
Current portion of long-term debt (Note 6)	7.3	1.8
Total current liabilities	<u>1,520.6</u>	<u>754.0</u>
Liabilities held for sale (Notes 1 and 10)	19.0	0.8
Long-term debt (Note 6)	10,443.6	5,151.1
Deferred credits and other	385.9	198.5
Deferred income taxes	1,244.4	413.5
	<u>13,613.5</u>	<u>6,517.9</u>
Minority interests (Note 4)	<u>33.7</u>	<u>32.5</u>
Commitments and contingencies (Notes 4, 6, 8 and 9)		
Stockholders' equity (Notes 2, 4 and 5)		
Common stock, \$0.10 par value, authorized—720,000,000 shares, outstanding —183,450,241 and 112,732,285 shares (net of 35,592,467 and 36,130,542 shares held in treasury)	18.3	11.3
Capital surplus	5,022.0	1,394.5
Retained earnings	761.1	638.4
Accumulated other comprehensive (loss)/income	(4.5)	1.0
Deferred compensation related to restricted stock	(10.5)	(10.0)
	<u>5,786.4</u>	<u>2,035.2</u>
	<u>\$ 19,433.6</u>	<u>\$ 8,585.6</u>

See accompanying Notes to Consolidated Condensed Financial Statements.

3

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

	<u>Second Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u> <u>2005</u>	<u>June 30,</u> <u>2004</u>	<u>June 30,</u> <u>2005</u>	<u>June 30,</u> <u>2004</u>
(In millions, except per share amounts)				
Revenues				
Casino	\$ 1,299.6	\$ 910.3	\$ 2,435.6	\$ 1,808.2
Food and beverage	212.2	156.3	386.8	310.9
Rooms	136.5	95.4	238.5	187.5
Management fees	17.5	15.0	32.9	29.5
Other	78.9	53.8	136.9	101.4
Less: casino promotional allowances	<u>(277.4)</u>	<u>(193.6)</u>	<u>(506.1)</u>	<u>(387.9)</u>
Total revenues	<u>1,467.3</u>	<u>1,037.2</u>	<u>2,724.6</u>	<u>2,049.6</u>
Operating expenses				
Direct				
Casino	648.7	448.4	1,215.6	903.1
Food and beverage	88.1	68.4	156.4	130.8
Rooms	24.7	17.1	40.6	33.6
Property general, administrative and other	303.3	218.9	557.5	428.2
Depreciation and amortization	107.6	76.3	198.1	148.8
Write-downs, reserves and recoveries	22.4	(5.0)	25.1	(1.7)
Project opening costs	3.6	3.9	5.5	5.9
Corporate expense	21.9	15.8	38.2	30.5
Merger and integration costs for Caesars acquisition	16.7	—	20.7	—
Losses/(income) on interests in nonconsolidated affiliates	—	0.2	0.2	(0.4)
Amortization of intangible assets	3.5	1.2	7.0	2.5
Total operating expenses	<u>1,240.5</u>	<u>845.2</u>	<u>2,264.9</u>	<u>1,681.3</u>
Income from operations	226.8	192.0	459.7	368.3
Interest expense, net of interest capitalized	(89.4)	(58.8)	(168.6)	(117.1)

Loss on early extinguishment of debt	—	—	(2.2)	—
Other income, including interest income	3.2	1.9	3.1	4.1
Income from continuing operations before income taxes and minority interests	140.6	135.1	292.0	255.3
Provision for income taxes	(53.4)	(49.0)	(108.9)	(92.3)
Minority interests	(3.0)	(2.0)	(5.5)	(4.0)
Income from continuing operations	84.2	84.1	177.6	159.0
Discontinued operations				
Income from discontinued operations (including Gain on sale of \$119.1, \$0, \$119.1 and \$0)	123.9	10.3	142.6	22.1
Provision for income taxes	(102.3)	(4.2)	(110.6)	(9.1)
Income from discontinued operations, net	21.6	6.1	32.0	13.0
Net income	<u>\$ 105.8</u>	<u>\$ 90.2</u>	<u>\$ 209.6</u>	<u>\$ 172.0</u>
Earnings per share—basic				
Income from continuing operations	\$ 0.69	\$ 0.75	\$ 1.50	\$ 1.43
Discontinued operations, net	0.17	0.06	0.27	0.12
Net income	<u>\$ 0.86</u>	<u>\$ 0.81</u>	<u>\$ 1.77</u>	<u>\$ 1.55</u>
Earnings per share—diluted				
Income from continuing operations	\$ 0.67	\$ 0.74	\$ 1.47	\$ 1.41
Discontinued operations, net	0.17	0.05	0.27	0.11
Net income	<u>\$ 0.84</u>	<u>\$ 0.79</u>	<u>\$ 1.74</u>	<u>\$ 1.52</u>
Dividends declared per share	<u>\$ 0.33</u>	<u>\$ 0.30</u>	<u>\$ 0.66</u>	<u>\$ 0.60</u>
Weighted average common shares outstanding	122.7	111.7	118.2	111.2
Additional shares based on average market price for period applicable to:				
Restricted stock	0.5	0.5	0.5	0.5
Stock options	1.8	1.4	1.8	1.3
Contingent convertible notes	0.3	—	0.3	—
Weighted average common and common equivalent shares outstanding	<u>125.3</u>	<u>113.6</u>	<u>120.8</u>	<u>113.0</u>

See accompanying Notes to Consolidated Condensed Financial Statements.

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	<u>Six Months Ended</u>	
	<u>June 30,</u>	<u>June 30,</u>
(In millions)	2005	2004
Cash flows from operating activities		
Net income	\$ 209.6	\$ 172.0
Adjustments to reconcile net income to cash flows from operating activities:		
Income from discontinued operations, before income taxes	(142.6)	(22.1)
Loss on early extinguishment of debt	2.2	—
Depreciation and amortization	214.2	162.5
Write-downs, reserves and recoveries	6.6	(1.7)
Other noncash items	12.9	11.4
Deferred income taxes	(35.1)	(0.9)
Tax benefit from stock equity plans	23.2	16.5
Minority interests' share of income	5.5	4.0
Losses/(income) on interests in nonconsolidated affiliates	0.2	(0.4)
Net (gains)/losses from asset sales	(0.6)	(0.1)
Net change in long-term accounts	(82.2)	4.1
Net change in working capital accounts	(110.1)	(10.1)
Cash flows provided by operating activities	<u>103.8</u>	<u>335.2</u>
Cash flows from investing activities		
Land, buildings, riverboats and equipment additions	(477.8)	(332.6)
Payment for businesses acquired, net of cash acquired	(1,562.2)	(40.8)
Proceeds from sale of assets held for sale	605.7	197.6
Minority interest buyout	—	(37.5)
Proceeds from other asset sales	13.0	2.7
Proceeds from sale of ownership interests in nonconsolidated affiliate	2.7	—
Increase in construction payables	21.8	21.6
Other	3.8	(4.6)
Cash flows used in investing activities	<u>(1,393.0)</u>	<u>(193.6)</u>
Cash flows from financing activities		
Proceeds from issuance of senior notes, net of issue costs	989.0	739.0
Borrowings under lending agreements, net of deferred financing costs	4,860.2	737.7
Repayments under lending agreements	(4,346.7)	(1,595.2)
Loss on derivative instrument	(7.9)	(0.8)
Scheduled debt retirements	(8.4)	(0.7)
Early extinguishment of debt	(58.3)	—
Premiums paid on early extinguishments of debt	(2.1)	—
Dividends paid	(75.0)	(67.6)
Purchases of treasury stock	—	(53.4)
Minority interests' distributions, net of contributions	(3.6)	(3.2)
Proceeds from exercises of stock options	90.9	62.6
Other	(1.3)	0.3
Cash flows provided by/(used in) financing activities	<u>1,436.8</u>	<u>(181.3)</u>
Cash flows from assets held for sale		
Cash flows from operating activities	6.4	48.6
Cash flows from investing activities	—	(25.6)
Cash flows provided by assets held for sale	6.4	23.0
Net increase/(decrease) in cash and cash equivalents	154.0	(16.7)
Cash and cash equivalents, beginning of period	489.0	397.9
Cash and cash equivalents, end of period	<u>\$ 643.0</u>	<u>\$ 381.2</u>

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(In millions)	Second Quarter Ended		Six Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Net income	\$ 105.8	\$ 90.2	\$ 209.6	\$ 172.0
Other comprehensive income:				
Foreign currency translation adjustments, net of tax benefit of \$0.0, \$0.0, \$(0.2) and \$0.0	1.1	0.1	0.7	0.1
Net loss on derivative instruments qualifying as cash flow hedges, net of tax benefit of \$(6.0), \$0.0, \$(3.4) and \$0.0	(11.0)	(0.8)	(6.3)	(0.8)
Reclassification of loss on derivative instrument from other comprehensive income to net income, net of tax benefit	0.1	—	0.1	—
	(9.8)	(0.7)	(5.5)	(0.7)
Comprehensive income	<u>\$ 96.0</u>	<u>\$ 89.5</u>	<u>\$ 204.1</u>	<u>\$ 171.3</u>

See accompanying Notes to Consolidated Condensed Financial Statements.

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
JUNE 30, 2005
(UNAUDITED)

Note 1—Basis of Presentation and Organization

Harrah's Entertainment, Inc. ("Harrah's Entertainment," the "Company," "we," "our" or "us," and including our subsidiaries where the context requires) is a Delaware corporation. We operate 40 casinos in 3 countries, primarily under the Harrah's, Caesars and Horseshoe brand names, including 20 land-based casinos, 14 riverboat or dockside casinos, one combination thoroughbred racetrack and casino, one combination greyhound racetrack and casino and four managed casinos on Indian lands. We view each property as an operating segment and aggregate all operating segments into one reporting segment.

On June 13, 2005, we completed our acquisition of Caesars Entertainment, Inc. ("Caesars"). The purchase price allocation process began in June 2005 and will be completed within one year of the date of the acquisition. The results of the Caesars properties are included with our operating results subsequent to their acquisition on June 13, 2005. Depreciation and amortization related to the Caesars acquisition for the 17 days of June was estimated based on Caesars' historical values and estimated lives of land, buildings, riverboats and equipment. Estimated useful lives and amortization periods of property, equipment and intangible assets will be determined during the purchase price allocation and adjusted accordingly. See Note 4 for further information regarding our acquisition of Caesars.

On April 26, 2005, we completed the sale of the assets and certain related liabilities of Harrah's East Chicago and Harrah's Tunica to another gaming company. Prior to their sale, these properties were classified in Assets/Liabilities held for sale on our Consolidated Condensed Balance Sheets, and we ceased depreciating their assets in September 2004. 2005 and 2004 results for Harrah's East Chicago and Harrah's Tunica are presented as part of our discontinued operations. See Note 10 for further information regarding discontinued operations.

In conjunction with our plans to acquire Horseshoe Gaming Holding Corp. ("Horseshoe Gaming") (see Note 4), in May 2004, we sold Harrah's Shreveport to avoid overexposure in that market. Prior to the sale, we classified this property in Assets/Liabilities held for sale on our Consolidated Condensed Balance Sheets and we ceased depreciating its assets in September 2003. Since we had a continued presence in the Shreveport-Bossier City market, Harrah's Shreveport's operating results were not classified as discontinued operations. No material gain or loss was recognized on the sale of Harrah's Shreveport.

Note 2—Stock-Based Employee Compensation

As allowed under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," we apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations to account for our employee stock option-based compensation plans and, accordingly, do not recognize compensation expense. Furthermore, no stock option-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (revised 2004), "Share-Based Payment." SFAS No. 123(R) requires that we recognize an expense for our equity-based compensation programs, including stock options. In second quarter 2005, the application of SFAS No. 123(R) was changed from the first interim or annual reporting period that begins after June 15,

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005
(UNAUDITED)

2005, to the first annual reporting period that begins after June 15, 2005. Based on the new guidance, we will apply SFAS No. 123(R) in our first quarter 2006 reporting period. We are currently evaluating the provisions of SFAS No. 123(R) to determine its impact on our future financial statements.

SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of SFAS No. 123," requires that companies provide disclosure regarding the pro forma impact of the provisions of SFAS No. 123 in interim financial statements. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

	Second Quarter Ended		Six Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
(In millions, except per share amounts)				
Net income, as reported	\$ 105.8	\$ 90.2	\$ 209.6	\$ 172.0
Deduct: Total stock-based employee compensation expense determined under fair-value-based method for all awards, net of related tax effects	(5.4)	(5.4)	(11.0)	(11.1)
Pro forma net income	<u>\$ 100.4</u>	<u>\$ 84.8</u>	<u>\$ 198.6</u>	<u>\$ 160.9</u>
Earnings per share:				
Basic—as reported	\$ 0.86	\$ 0.81	\$ 1.77	\$ 1.55
Basic—pro forma	0.82	0.76	1.68	1.45
Diluted—as reported	0.84	0.79	1.74	1.52
Diluted—pro forma	0.80	0.75	1.64	1.42

Note 3—Goodwill and Other Intangible Assets

The following table sets forth changes in our goodwill for the period ended June 30, 2005.

(In millions)	
Balance at December 31, 2004	\$ 1,354.7
Acquisition of Caesars Entertainment, Inc.	2,926.7
Finalization of purchase price allocation for Horseshoe Gaming	18.7
Balance at June 30, 2005	<u>\$ 4,300.1</u>

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005
(UNAUDITED)

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

	June 30, 2005			December 31, 2004		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(In millions)						
Amortizing intangible assets:						
Contract rights	\$ 73.6	\$ 13.2	\$ 60.4	\$ 73.6	\$ 10.6	\$ 63.0
Customer relationships	113.2	14.8	98.4	113.1	10.4	102.7
	<u>\$ 186.8</u>	<u>\$ 28.0</u>	158.8	<u>\$ 186.7</u>	<u>\$ 21.0</u>	165.7
Nonamortizing intangible assets:						
Trademarks			272.7			273.1
Gaming rights			467.5			422.6
			<u>740.2</u>			<u>695.7</u>
Total			<u>\$ 899.0</u>			<u>\$ 861.4</u>

The aggregate amortization expense for the quarter and six months ended June 30, 2005, for those assets that are amortized under the provisions of SFAS No. 142 was \$3.5 million and \$7.0 million, respectively. Estimated annual amortization expense for those assets for the years ending December 31, 2005, 2006, 2007, 2008 and 2009 is \$14.0 million, \$13.7 million, \$13.0 million, \$11.4 million and \$9.8 million, respectively. At June 30, 2005, the amount of the purchase price for Caesars in excess of the value assigned to assets has been classified as goodwill. The amounts in the table above include only estimates of preliminary values assigned to certain identifiable intangible assets acquired in our June 13, 2005, acquisition of Caesars. We have made no estimates of

amortization that may arise from the allocation of additional purchase price to intangible assets. The identification and valuation of identifiable intangible assets, estimated useful lives and amortization periods will be determined during the purchase price allocation process.

Note 4—Acquisitions

Caesars Entertainment

On June 13, 2005, we completed our acquisition of 100 percent of the outstanding shares of Caesars. Under the terms of the agreement, Caesars shareholders were to receive either \$17.75 in cash or 0.3247 shares of Harrah's Entertainment's common stock for each outstanding share of Caesars' common stock, subject to limitations on the aggregate amount of cash to be paid and shares of stock to be issued. Caesars shareholders were able to elect to receive solely shares of Harrah's Entertainment's common stock or cash, to the extent available pursuant to the terms of the agreement. Of the 314.8 million Caesars shares outstanding at the transaction date, 307.1 million elected to receive Harrah's Entertainment's common stock. The consideration paid to those shareholders was prorated, resulting in each holder of one share of Caesars stock receiving \$5.66 in cash and 0.2211 of a share of our common stock. Each of the remaining 7.7 million Caesars shares received \$17.75 per share in cash consideration. We financed the acquisition with borrowings from established debt programs. The aggregate estimated purchase price was

9

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005
(UNAUDITED)

approximately \$9.3 billion, which consisted of \$1.9 billion of cash, \$3.3 billion of Harrah's Entertainment's common stock, assumption of Caesars debt with a fair value of approximately \$4.0 billion (including value assigned to conversion rights of contingent convertible notes), assumption of employee stock grants valued at \$0.1 billion and acquisition costs of approximately \$52 million. We issued approximately 67.9 million shares of our common stock, the fair value of which was based on a five-day average of the closing price two days before and two days after the terms of the acquisition were agreed to and announced. The acquisition of Caesars adds 15 casinos with about 1.6 million square feet of gaming space and approximately 24,000 hotel rooms and gives us significant additional presence in Las Vegas, Atlantic City and Mississippi.

The purchase price allocation process began in June 2005 and will be completed within one year of the date of the acquisition. The results of the Caesars properties are included with our operating results subsequent to their acquisition on June 13, 2005. Depreciation and amortization related to the Caesars acquisition for the 17 days of June was estimated based on Caesars' historical values and estimated lives of land, buildings, river boats and equipment. Estimated useful lives and amortization periods of property, equipment and intangible assets will be determined during the purchase price allocation and adjusted accordingly.

In May 2005, Caesars reached an agreement to sell the Reno Hilton, and that sale, which is subject to regulatory approvals, is expected to close in fourth quarter 2005. Also included in the Caesars acquisition are the Flamingo Laughlin Casino and a hotel in Halifax, Nova Scotia, that we have determined to classify as assets held for sale in our financial statements.

In preparation for the Caesars acquisition, we engaged consultants and dedicated internal resources to plan for the merger and integration of Caesars into Harrah's Entertainment. These costs are reflected in Merger and integration costs for Caesars acquisition in our Consolidated Condensed Statements of Income.

Horseshoe Gaming

On July 1, 2004, we acquired 100 percent of the equity interests of Horseshoe Gaming for approximately \$1.62 billion, including assumption of debt valued at approximately \$558 million and acquisition costs. A \$75 million escrow payment that was made in 2003 was applied to the purchase price. We issued a redemption notice on July 1, 2004, for all \$558 million of Horseshoe Gaming's outstanding 8^{3/8}% Senior Subordinated Notes due July 2009 and retired that debt on August 2, 2004. We financed the acquisition and the debt retirement through working capital and established debt programs. We purchased Horseshoe Gaming to acquire three properties and with the intention of growing and developing the Horseshoe brand. The purchase included casinos in Hammond, Indiana; Tunica, Mississippi; and Bossier City, Louisiana.

In anticipation of our acquisition of Horseshoe Gaming, we sold our Harrah's brand casino in Shreveport, Louisiana. After consideration of the sale of Harrah's Shreveport, the Horseshoe Gaming acquisition added a net 113,300 square feet of casino space and approximately 4,580 slot machines and 150 table games to our existing portfolio. Taken together with our acquisition of intellectual property rights from Horseshoe Club Operating Company ("Horseshoe Club") (see discussion below), this acquisition gave us rights to the Horseshoe brand in all of the United States.

10

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005
(UNAUDITED)

Pro forma results

The results of operations of the properties acquired in the Horseshoe Gaming and Caesars acquisitions have been included in our consolidated financial statements since their respective July 1, 2004, and June 13, 2005, dates of acquisition. The following unaudited pro forma consolidated financial information has been prepared assuming that the acquisition of Caesars; Caesars' sales of Atlantic City Hilton, Bally's Tunica, Bally's Casino New Orleans, Caesars

Tahoe, Casino Nova Scotia-Halifax, Casino Nova Scotia-Sydney and its ownership and management interests in Caesars Gauteng; our sale of Harrah's East Chicago and Harrah's Tunica; the acquisition of Horseshoe Gaming; extinguishment of Horseshoe Gaming's debt; and the sale of Harrah's Shreveport had occurred at the beginning of 2005 and 2004.

(In millions, except per share amounts)	Quarter Ended June 30, 2005	Quarter Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Net revenues	\$ 2,303.3	\$ 2,183.5	\$ 4,581.3	\$ 4,368.7
Income from operations	\$ 241.8	\$ 377.8	\$ 519.5	\$ 752.0
Income from continuing operations	\$ 60.0	\$ 149.0	\$ 139.5	\$ 284.8
Net income	\$ 63.5	\$ 151.1	\$ 142.4	\$ 288.7
Earnings per share—diluted				
From continuing operations	\$ 0.33	\$ 0.82	\$ 0.76	\$ 1.56
Net income	\$ 0.35	\$ 0.83	\$ 0.78	\$ 1.59

Pro forma results for the quarter and six months ended June 30, 2005, include non-recurring charges of \$134 million and \$289 million, respectively, recorded by Caesars related to the change in control of the company, which, for Caesars' stock incentive plan, became effective on March 11, 2005, when Caesars' stockholders approved the merger with Harrah's Entertainment.

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 acquisitions and sales been completed as of the beginning of the periods, or of future results.

Las Vegas Horseshoe Hotel and Casino

In March 2004, we acquired certain intellectual property assets, including the rights to the Horseshoe brand in Nevada and to the World Series of Poker brand and tournament, from Horseshoe Club. MTR Gaming Group, Inc. ("MTR Gaming") acquired from Horseshoe Club the assets of the Binion's Horseshoe Hotel and Casino ("Las Vegas Horseshoe") in Las Vegas, Nevada, including the right to use the name "Binion's" at the property. We operated the Las Vegas Horseshoe jointly with a subsidiary of MTR Gaming from April 1, 2004, until the operating agreement was terminated on March 10, 2005, and the operating results for Las Vegas Horseshoe were consolidated with our results during that period. Las Vegas Horseshoe's results were not material to our operating results.

We paid approximately \$37.5 million for the intellectual property assets, including assumption and subsequent payment of certain liabilities of Las Vegas Horseshoe (which included certain amounts payable

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005
(UNAUDITED)

to a principal of Horseshoe Gaming) and approximately \$5.2 million of acquisition costs. The intangible assets acquired in this transaction have been deemed to have indefinite lives and, therefore, are not being amortized. We financed the acquisition with funds from various sources, including cash flows from operations and borrowings from established debt programs.

Harrah's Shreveport and Louisiana Downs—Buyout of Minority Partners

In first quarter 2004, we paid approximately \$37.5 million to the minority owners of the company that owned Louisiana Downs and Harrah's Shreveport to purchase their ownership interest in that company. The excess of the cost to purchase the minority ownership above the capital balances was assigned to goodwill. As a result of this transaction, Harrah's Shreveport and Louisiana Downs became wholly-owned by the Company. Harrah's Shreveport was subsequently sold to another gaming company (see Note 1).

Chester Downs & Marina

In July 2004, after receiving Pennsylvania regulatory and certain local approvals, we acquired a 50 percent interest in Chester Downs & Marina, LLC ("CD&M"), an entity licensed to develop a harness-racing facility in southeastern Pennsylvania. Harrah's Entertainment and CD&M have agreed to develop Harrah's Chester Downs Casino and Racetrack ("Harrah's Chester"), a 5/8-mile harness racetrack facility, approximately six miles south of Philadelphia International Airport. Plans for the facility include a 1,500-seat grandstand and simulcast facility, a slot casino with approximately 2,000 games and a variety of food and beverage offerings. We have commenced site work and demolition at the property and expect racing and simulcasting to begin in the second half of 2006 and the casino to open in the third quarter of 2006, pending receipt of a gaming license and other regulatory approvals. This project is expected to cost \$392 million, \$13.5 million of which had been spent as of June 30, 2005. We will guarantee or provide financing for the project and we are consolidating CD&M in our financial statements.

Note 5—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

In November 2004, our Board of Directors authorized the purchase of 3.5 million shares of common stock in the open market and negotiated purchases through the end of 2005. As of June 30, 2005, no shares have been repurchased under this authorization.

In connection with the Caesars acquisition, at a special meeting held in March 2005, our stockholders voted to approve an amendment to Harrah's Entertainment's certificate of incorporation to increase the number of authorized shares of Harrah's Entertainment common stock from 360 million to 720 million. Upon consummation of the Caesars acquisition, we issued 67.9 million shares of Harrah's Entertainment common stock. Since these additional shares were outstanding only 17 days of the quarter, our average shares outstanding calculation was only partially impacted in second quarter by the transaction.

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005
(UNAUDITED)

In April 2005, the Company declared a cash dividend of 33 cents per share, which was paid on May 25, 2005, to shareholders of record as of the close of business on May 11, 2005. The Company has paid quarterly cash dividends since third quarter 2003. Subsequent to the end of second quarter 2005, our Board of Directors increased the regular quarterly cash dividend ten percent, to 36.25 cents per share, payable on August 24, 2005, to shareholders of record as of the close of business on August 10, 2005.

Note 6—Debt

At June 30, 2005, \$932.2 million, face amount, of debt due in December 2005, including \$400.0 million, face amount, assumed in the Caesars acquisition, is classified as long-term in our Consolidated Condensed Balance Sheet because the Company has both the intent and the ability to refinance these notes.

Debt Assumed in Acquisition of Caesars

The following debt was assumed in our acquisition of Caesars.

(In millions)	Face Amount
7.875% Senior Subordinated Notes, due 2005	\$ 400.0
8.5% Senior Notes, due 2006	400.0
7.5% Senior Notes, due 2009	425.0
7.0% Senior Notes, due 2013	300.0
9.375% Senior Subordinated Notes, due 2007	500.0
8.875% Senior Subordinated Notes, due 2008	400.0
7.875% Senior Subordinated Notes, due 2010	375.0
8.125% Senior Subordinated Notes, due 2011	350.0
Floating Rate Contingent Convertible Senior Notes, due 2024	375.0
Other	50.3
Total	<u>\$ 3,575.3</u>

We recorded the above debt at its market value, which, at June 13, 2005, was \$3,851.8 million. The debt was assumed by Harrah's Operating Company, Inc., a wholly-owned subsidiary of Harrah's Entertainment, and is guaranteed by Harrah's Entertainment.

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005
(UNAUDITED)

Included in the debt assumed in the Caesars acquisition is \$375 million Floating Rate Contingent Convertible Senior Notes due 2024. The notes bear interest at an annual rate equal to the three month LIBOR, adjusted quarterly. The interest rate on these notes was 3.1% at June 30, 2005. The notes are convertible into cash and shares of common stock in the following circumstances:

- during any fiscal quarter, if the closing sale price of the Company's common stock for 20 out of the last 30 consecutive trading days during the previous quarter is more than 120% of the Conversion Price of the notes;
- the Company has called the notes for redemption and the redemption has not yet occurred;
- during the five trading day period immediately after any five consecutive trading day period in which the trading price of the notes per \$1,000 principal amount for each day of such period was less than 95% of the product of the closing sale price of the Company's common stock on such day multiplied by the number of shares issuable upon conversion; provided that, if on such date, the common stock price is between the Conversion Price and 120% of the Conversion Price, as defined, then the holders will receive the principal amount of the notes surrendered plus accrued but unpaid interest; or
- upon the occurrence of specified corporate transactions as defined in the indenture covering these notes.

Holders may convert any outstanding notes into cash and shares of the Company's common stock at an initial conversion price per share of \$68.65 (the "Conversion Price"). This represents a conversion rate of approximately 14.5666 shares of common stock per \$1,000 principal amount of notes (the "Conversion Rate"). Subject to certain exceptions described in the indenture covering these notes, at the time the notes are tendered for conversion the value (the "Conversion Value") of the cash and shares of the Company's common stock, if any, to be received by a holder converting \$1,000 principal amount of the notes will be determined by multiplying the Conversion Rate by the "Ten Day Average Closing Stock Price," which equals the average of the closing per share prices of the Company's common stock on the New York Stock Exchange on the ten consecutive trading days beginning on the second trading day following the day the notes are submitted for conversion. The Conversion Value will be delivered to holders as follows: (1) an amount in cash (the "Principal Return") equal to the lesser of (a) the aggregate Conversion Value of the notes to be converted and (b) the aggregate principal amount of the notes to be converted, and (2) if the aggregate Conversion Value of the notes to be converted is greater than the Principal Return, any amount in shares (the "Net Shares") equal to the aggregate Conversion Value less the Principal Return (the "Net Share Amount"). The Company will pay the Principal Return and deliver the Net Shares, if any, as promptly as practicable after determination of the Net Share Amount. The number of Net Shares to be paid will be determined by dividing the Net Share Amount by the Ten Day Average Closing Stock Price.

The Conversion Price will decrease when cash dividends are declared so that the Conversion Price will equal the price determined by multiplying the Conversion Price in effect immediately prior to the record date for such dividend by a fraction, (i) the numerator of which shall be the average of the pre-dividend sale price, as defined in the agreement, minus the amount of the cash dividend, and (ii) the denominator of which shall be the pre-dividend sale price.

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005
(UNAUDITED)

The notes are redeemable by the Company at any time on or after April 20, 2009, at 100 percent of the principal amount of the notes plus accrued and unpaid interest. Holders may require the Company to purchase all or a portion of these notes on April 15, 2009, 2014, and 2019 at 100 percent of the principal amount of the notes plus accrued and unpaid interest. The notes are unsecured obligations, rank equal with our other senior indebtedness and are senior to all of our subordinated indebtedness.

Credit Agreement

As of December 31, 2004, our credit facilities (the "Credit Agreement") provided for up to \$2.5 billion in borrowings, maturing on April 23, 2009. In January 2005, an agreement was reached to amend the Credit Agreement, which increased our borrowing capacity from \$2.5 billion to \$4.0 billion. The amendment also contains a provision that will allow a further increase in the borrowing capacity to \$5.0 billion, if mutually acceptable to the Company and the lenders, and lowered the combined interest spread from LIBOR plus 110 basis points to LIBOR plus 87.5 basis points. The amended agreement became effective upon the satisfaction of various closing conditions, including the closing of our acquisition of Caesars. Other significant terms and conditions of the Credit Agreement, including the maturity date of April 2009, did not change. As of June 30, 2005, the Credit Agreement bore interest based upon 70 basis points over LIBOR and bore a facility fee for borrowed and unborrowed amounts of 17.5 basis points, a combined 87.5 basis points. At our option, we may borrow at the prime rate under the Credit Agreement. As of June 30, 2005, \$2.14 billion in borrowings was outstanding under the Credit Agreement with an additional \$106.9 million committed to back letters of credit. After consideration of these borrowings, but before consideration of amounts borrowed under the commercial paper program, \$1.75 billion of additional borrowing capacity was available to the Company as of June 30, 2005.

Interest Rate Swap Agreements

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. We account for derivative instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and all amendments thereto. SFAS No. 133 requires that all derivative instruments be recognized in the financial statements at fair value. Any changes in fair value are recorded in the income statement or in other comprehensive income, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction and the effectiveness of the hedge. The differences to be paid or received under the terms of interest rate swap agreements are accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received pursuant to the terms of interest rate swap agreements will have a corresponding effect on future cash flows. The estimated fair values of our derivative instruments are based on market prices obtained from dealer quotes. Such quotes represent the estimated amounts we would receive or pay to terminate the contracts.

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

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005
(UNAUDITED)

As of June 30, 2005, we were a party to eight interest rate swaps, including four assumed in the Caesars acquisition, for a total notional amount of \$800 million. These interest rate swaps serve to manage the mix of our debt between fixed and variable rate instruments by effectively converting fixed rates

associated with long-term debt obligations to floating rates. The major terms of the interest rate swaps are as follows.

Effective Date	Type of Hedge	Fixed Rate Received	Variable Rate Paid as of June 30, 2005	Notional Amount (In millions)	Maturity Date
Dec. 29, 2003	Fair Value	7.875%	9.364%	\$ 50	Dec. 15, 2005
Dec. 29, 2003	Fair Value	7.875%	9.368%	150	Dec. 15, 2005
Jan. 30, 2004	Fair Value	7.125%	7.759%	200	June 1, 2007
Feb. 2, 2004	Fair Value	7.875%	9.386%	100	Dec. 15, 2005
Sept. 19, 2003*	Fair Value	7.000%	6.144%	75	Apr. 15, 2013
Sept. 19, 2003*	Fair Value	7.000%	6.136%	75	Apr. 15, 2013
Nov.12, 2003*	Fair Value	7.000%	5.866%	75	Apr. 15, 2013
Nov.12, 2003*	Fair Value	7.000%	5.851%	75	Apr. 15, 2013

* Assumed in our acquisition of Caesars. The variable rates on the swaps acquired from Caesars are set in arrears and are estimated at June 30, 2005, based on a forward LIBOR rate.

The Company's four original interest rate swaps qualify for the "shortcut" method allowed under SFAS No. 133, which allows for an assumption of no ineffectiveness. The interest rate swaps assumed in our acquisition of Caesars do not qualify for the "shortcut" method; however, they are highly effective. The income statement impact from changes in the fair value of the hedging instruments for our swap agreements was not material during any of the periods reported. The net effect of the above swaps increased our second quarter and first six months 2005 interest expense by \$0.3 million and \$0.6 million, respectively, and reduced our second quarter and first six months 2004 interest expense by \$1.5 million and \$2.7 million, respectively.

Commercial Paper

To provide the Company with cost-effective borrowing flexibility, we have a \$200 million commercial paper program that is used to borrow funds for general corporate purposes. At June 30, 2005, \$118.1 million was outstanding under this program.

Senior Floating Rate Notes

In February 2005, we issued \$250 million of Senior Floating Rate Notes due in 2008 in a Rule 144A private placement. We agreed to, upon the request by holders of a majority in aggregate principal amount of the Senior Floating Rate Notes then outstanding, exchange the private placement offering with fully registered Senior Floating Rate Notes. If the exchange offer does not provide the holders of the Senior Floating Rate Notes freely transferable securities, we may be required to file a shelf registration statement

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005
(UNAUDITED)

that would allow them to resell the Senior Floating Rate Notes in the open market, subject to certain restrictions. At June 30, 2005, the interest rate on these notes was 3.83%.

Offering of 5.625% Senior Notes

In May 2005, we issued \$750 million of 5.625% Senior Notes due 2015 in a Rule 144A private placement. We agreed to offer to exchange the 5.625% Senior Notes issued in private placement with the fully registered 5.625% Senior Notes within 210 days of issuance. Should we fail to complete the registration and related exchange offer for the 5.625% Senior Notes, the interest rate will increase by up to 0.5% per annum.

In anticipation of issuing this debt and to partially hedge the risk of future increases to the treasury rate, we entered into agreements in the fourth quarter of 2004 and the first quarter of 2005 to lock in existing ten-year rates to hedge against such increases on \$500 million of the debt issued. Changes in the fair values of the treasury rate lock agreements were recorded as a component of other comprehensive income and are being reclassified to earnings over the ten-year life of this debt. The treasury locks resulted in an effective rate of 5.86% on this debt.

Debt Repurchase Program

In July 2003, our Board of Directors authorized the Company to retire, from time to time through cash purchases, portions of our outstanding debt in open market purchases, privately negotiated transactions or otherwise. These repurchases will be funded through available cash from operations and borrowings from our established debt programs. Such repurchases will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors. In first quarter 2005, we retired \$58.3 million of our 7.875% Senior Subordinated Notes due in December 2005, bringing the total retired under this authorization to \$217.8 million of our 7.875% Senior Subordinated Notes.

Note 7—Supplemental Cash Flow Disclosures

Cash Paid for Interest and Taxes

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

(In millions)	Six Months Ended	
	June 30, 2005	June 30, 2004
Interest expense, net of interest capitalized	\$ 168.6	\$ 117.1
Adjustments to reconcile to cash paid for interest:		

Net change in accruals	(77.0)	(2.7)
Amortization of deferred finance charges	(4.7)	(3.3)
Net amortization of discounts and premiums	3.4	(0.6)
Cash paid for interest, net of amount capitalized	<u>\$ 90.3</u>	<u>\$ 110.5</u>
Cash payments/(refunds) of income taxes, net	<u>\$ 327.8</u>	<u>\$ (12.1)</u>

17

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005
(UNAUDITED)

Note 8—Commitments and Contingent Liabilities

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 the Company of third-party debt and development completion guarantees.

The agreements under 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 payments of borrowings for development costs and over the management fee earned and paid to the manager. In the event that insufficient cash flow is generated by the operations of the Indian-owned properties to fund this payment, we must pay the shortfall to the tribe. Subject to certain limitations as to time, such advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. As of June 30, 2005, our aggregate monthly commitment for the minimum guaranteed payment pursuant to these contracts for the four managed Indian-owned facilities now open, which extend for periods of up to 77 months from June 30, 2005, is \$1.2 million. The maximum exposure for the minimum guaranteed payments to the tribes is unlikely to exceed \$88.9 million.

We may guarantee all or part of the debt incurred by Indian tribes, with which we have entered into management contracts, to fund development of casinos on the Indian lands. For all existing guarantees of Indian debt, we have obtained a first lien on certain personal property (tangible and intangible) of the casino enterprise. There can be no assurance, however, that the value of such property would satisfy our obligations in the event these guarantees were enforced. Additionally, we have received limited waivers from the Indian tribes of their sovereign immunity to allow us to pursue our rights under the contracts between the parties and to enforce collection efforts as to any assets in which a security interest is taken. The aggregate outstanding balance as of June 30, 2005, of Indian debt that we have guaranteed was \$259.5 million. The outstanding balance of all of our debt guarantees, including Indian debt guarantees, at June 30, 2005, was \$262.2 million. Our maximum obligation under all of our debt guarantees is \$282.5 million. Our obligations under these debt guarantees extend through April 2009.

Some of our guarantees of the debt for casinos on Indian lands were modified during 2003, resulting in the requirement under FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," to recognize a liability for the estimated fair value of those guarantees. Liabilities, representing the fair value of our guarantees, and corresponding assets, representing the portion of our management fee receivable attributable to our agreements to provide the related guarantees, were recorded and are being amortized over the lives of the related agreements. We estimate the fair value of the obligations by considering what premium would have been required by us or by an unrelated party. The amounts recognized represent the present value of the premium in interest rates and fees that would have been charged to the tribes if we had not provided the guarantees. The unamortized balance of the liability for the guarantees and of the related assets at June 30, 2005, was \$4.8 million.

18

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005
(UNAUDITED)

In February 2005, we entered into an agreement with the State of Louisiana whereby we extended our guarantee of an annual payment obligation of Jazz Casino Company LLC, our wholly-owned subsidiary, of \$60 million owed to the State of Louisiana. The guarantee was extended for one year to end March 31, 2008.

Excluding the guarantees discussed above, as of June 30, 2005, we had commitments and contingencies of \$913.2 million, including construction-related commitments.

In accordance with previous agreements and as additional purchase price consideration, a payment of approximately \$73 million, based on a multiple of the calculated annual savings, was made to Iowa West Racing Association ("Iowa West"), the entity holding the pari-mutuel and gaming license for the Bluffs Run Casino in Council Bluffs, Iowa, and with whom we have a management agreement to operate that property. The additional payment to Iowa West increased goodwill attributed to the Bluffs Run property. The payment to Iowa West assumed we will operate table games at Bluffs Run and pay a 24 percent tax rate; however, Iowa West has taken the position that the purchase price adjustment should be based on a tax rate of 20 percent, which would result in an additional \$19.6 million payment to Iowa West. If an additional payment is required, it will increase goodwill attributed to this property. We anticipate that the issue will be resolved by arbitration.

Severance Agreements

As of June 30, 2005, we have severance agreements with 36 of our 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 our incentive plans. The estimated amount, computed as of July 1, 2005, that would be payable under the agreements to these executives based on the compensation payments and stock awards aggregated approximately \$192.3 million. The estimated amount that would be payable to these executives does not include an estimate for the tax gross-up payment, provided for in the agreements, that would be payable to the executive if the executive becomes entitled to severance payments which are subject to federal excise tax imposed on the executive.

Self-Insurance

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

Note 9—Litigation

In connection with our acquisition of Caesars, we assumed Caesars' litigation matters, including, but not limited to, the following litigation related to a proposed casino project.

In April 2000, the Saint Regis Mohawk Tribe (the "Tribe") granted Caesars the exclusive rights to develop a casino project in the State of New York.

HARRAH'S ENTERTAINMENT, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

JUNE 30, 2005

(UNAUDITED)

On April 26, 2000, certain individual members of the Tribe purported to commence a class action proceeding in a "Tribal Court" in Hogsburg, New York, against Caesars seeking to nullify Caesars' agreement with the Tribe. On March 20, 2001, the "Tribal Court" purported to render a default judgment against Caesars in the amount of \$1.787 billion. Three cases resulted from this "Tribal Court" judgment:

- On June 2, 2000, Caesars filed an action captioned Park Place Entertainment Corporation, et al. vs. Arquette, et al., in the United States District Court for the Northern District of New York seeking to enjoin the dissident Tribal members from proceeding in the "Tribal Court", and to challenge the judgment. The District Court entered an Order on July 29, 2002 (and a subsequent order on February 11, 2004), affirming that the purported "Tribal Court" is without authority to adjudicate matters of Tribal law.
- On March 29, 2001, Caesars sued the dissident Tribal members in the Supreme Court of the State of New York (subsequently moved to Franklin County, New York) in the case of Park Place Entertainment Corporation, et al. vs. Marlene Arquette, et al., alleging malicious defamation and prima facie tort in connection with the "Tribal Court" proceedings seeking compensatory and punitive damages. Defendants asserted a counterclaim alleging the action was commenced in violation of New York's Civil Rights Law.
- On June 27, 2001, certain individual members of the Tribe commenced an action in United States District Court for the Northern District of New York against Caesars, seeking recognition and enforcement of the purported March 20, 2001, \$1.787 billion "Tribal Court" default judgment. Caesars has taken the position that the purported "Tribal Court" in which the proceeding has been invoked is an invalid forum and is not recognized by the lawful government of the Saint Regis Mohawk Tribe.

Prior to June 13, 2005, each of the above matters was settled, pending final court approval and execution of documents and mutual releases.

On November 13, 2000, Catskill Development, LLC, Mohawk Management, LLC and Monticello Raceway Development Company, LLC (collectively, "Catskill Development") filed an action captioned Catskill Development LLC, et al. vs. Park Place Entertainment Corporation, et al., against Caesars in the United States District Court for the Southern District of New York. Catskill Development alleges tortious interference with contract and prospective business relationships, unfair competition and state anti-trust violations pertaining to a proposed gaming facility to be developed by Catskill Development and the Tribe, and seeks over \$2 billion in compensatory damages and over \$2 billion in punitive damages. The District Court granted summary judgment to Caesars and dismissed the complaint in its entirety. The plaintiffs have appealed the District Court's decision to the United States Court of Appeals for the Second Circuit, where it is currently waiting a decision. The Company believes this matter to be without merit and will continue to vigorously contest the case.

On October 15, 2001, Scutti Enterprises, LLC ("Scutti") filed an action against Caesars in the Supreme Court of the State of New York, County of Monroe (subsequently removed to United States District Court for the Western District of New York). The action arises out of Scutti's efforts to redevelop and manage the Tribe's Mohawk Bingo Palace. Scutti alleges tortious interference with contract and

HARRAH'S ENTERTAINMENT, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

JUNE 30, 2005

(UNAUDITED)

prospective business relationships, unfair competition and state anti-trust violations and seeks over \$500 million in compensatory damages and unspecified punitive damages. The District Court entered summary judgment, in Caesars favor, on all of the claims. On appeal to the United States Court of Appeals for the Second Circuit, the District Court was affirmed, with the exception of the claim for tortious interference with prospective business relations. This sole claim was remanded to the District Court for further proceedings. Caesars has, again, moved for summary judgment on this sole remaining claim and expects a decision on that motion at any time. The Company believes this matter to be without merit and will continue to vigorously contest this matter.

We are involved in various other 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, we believe that the final outcome of these matters will not have a material adverse effect upon our consolidated financial position or our results of operations.

Note 10—Discontinued Operations

In September 2004, we entered into an agreement to sell the assets and certain related liabilities of Harrah’s East Chicago and Harrah’s Tunica to an unrelated third party. The sale was completed April 26, 2005. We believed that the sale of these two properties helped facilitate the closing of the Caesars transaction. Until their sale, Harrah’s East Chicago and Harrah’s Tunica were classified in Assets/Liabilities held for sale in our Consolidated Condensed Balance Sheets, and we ceased depreciating their assets in September 2004. 2005 results for Harrah’s East Chicago and Harrah’s Tunica are presented as discontinued operations and 2004 results have been reclassified to conform to the 2005 presentation. We reported a gain of approximately \$19.4 million, net of taxes, on the sale of these two properties in the second quarter of 2005.

In May 2005, Caesars reached an agreement to sell the Reno Hilton, and that sale, which is subject to regulatory approvals, is expected to close in fourth quarter 2005. Also included in the Caesars acquisition are the Flamingo Laughlin Casino and a hotel in Halifax, Nova Scotia, that we have determined to classify as Assets/Liabilities held for sale in our Consolidated Condensed Balance Sheets, and their operating results are presented as part of our discontinued operations. No depreciation is being recorded on these assets.

HARRAH’S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005
(UNAUDITED)

Summary operating results for the discontinued operations reflect the results of Harrah’s East Chicago and Harrah’s Tunica through the date of their sale in April 2005, including the gain on the sale, and beginning June 13, 2005, the operating results of Reno Hilton, Flamingo Laughlin and a hotel in Halifax, Nova Scotia.

(In millions)	<u>Second Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u> <u>2005</u>	<u>June 30,</u> <u>2004</u>	<u>June 30,</u> <u>2005</u>	<u>June 30,</u> <u>2004</u>
Net revenues	\$ 35.4	\$ 91.8	\$ 131.3	\$ 188.6
Pretax income from discontinued operations	\$ 123.9	\$ 10.3	\$ 142.6	\$ 22.1
Discontinued operations, net of tax	\$ 21.6	\$ 6.1	\$ 32.0	\$ 13.0

Assets held for sale and liabilities related to assets held for sale of Reno Hilton, Flamingo Laughlin, and Halifax Hotel at June 30, 2005, and Harrah’s East Chicago and Harrah’s Tunica at December 31, 2004, are as follows:

(In millions)	<u>June 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
Cash and cash equivalents	\$ 18.8	\$ 12.0
Receivables	4.2	—
Inventories	2.2	0.9
Prepayments and other	4.3	—
Property and equipment, net	183.7	271.4
Goodwill	—	206.5
Investments in and advances to nonconsolidated affiliates	—	1.2
Deferred costs and other	1.3	0.2
Total assets held for sale	\$ 214.5	\$ 492.2
Accounts payable	\$ 2.5	\$ —
Accrued expenses	15.8	0.3
Deferred credits and other	0.1	—
Total liabilities related to assets held for sale	\$ 18.4	\$ 0.3

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial position and operating results of Harrah’s Entertainment, Inc. (referred to in this discussion, together with its consolidated subsidiaries where appropriate, as “Harrah’s Entertainment,” the “Company,” “we,” “our” and “us”) for the second quarter and

the first six months of 2005 and 2004, updates, and should be read in conjunction with, Management's Discussion and Analysis of Financial Condition and Results of Operations presented in our 2004 Annual Report.

ACQUISITIONS AND DISPOSITIONS

Caesars Entertainment

On June 13, 2005, we completed our acquisition of 100 percent of the outstanding shares of Caesars Entertainment, Inc. ("Caesars"). Under the terms of the agreement, Caesars shareholders were to receive either \$17.75 in cash or 0.3247 shares of Harrah's Entertainment's common stock for each outstanding share of Caesars' common stock, subject to limitations on the aggregate amount of cash to be paid and shares of stock to be issued. Caesars shareholders were able to elect to receive solely shares of Harrah's Entertainment's common stock or cash, to the extent available pursuant to the terms of the agreement. Of the 314.8 million Caesars shares outstanding at the transaction date, 307.1 million elected to receive Harrah's Entertainment's common stock. The consideration paid to those shareholders was prorated, resulting in each holder of one share of Caesars stock receiving \$5.66 in cash and 0.2211 of a share of our common stock. Each of the remaining 7.7 million Caesars shares received \$17.75 per share in cash consideration. We financed the acquisition with borrowings from established debt programs. The aggregate estimated purchase price was approximately \$9.3 billion, which consisted of \$1.9 billion of cash, \$3.3 billion of Harrah's Entertainment's common stock, assumption of Caesars debt with a fair value of approximately \$4.0 billion (including value assigned to conversion rights of contingent convertible notes), assumption of employee stock grants valued at \$0.1 billion and acquisition costs of approximately \$52 million. The acquisition of Caesars adds 15 casinos with about 1.6 million square feet of gaming space and approximately 24,000 hotel rooms and gives us significant additional presence in Las Vegas, Atlantic City and Mississippi.

The purchase price allocation process began in June 2005 and will be completed within one year of the date of the acquisition. The results of the Caesars properties are included with our operating results subsequent to their acquisition on June 13, 2005. Depreciation and amortization related to the Caesars acquisition for the 17 days of June was estimated based on the preliminary purchase price allocation. Estimated useful lives and amortization periods of property, equipment and intangible assets will be determined during the purchase price allocation and adjusted accordingly.

In May 2005, Caesars reached an agreement to sell the Reno Hilton, and that sale, which is subject to regulatory approvals, is expected to close in fourth quarter 2005. Also included in the Caesars acquisition are the Flamingo Laughlin Casino and a hotel in Halifax, Nova Scotia, that we have determined to classify as assets held for sale in our financial statements.

In preparation for the Caesars acquisition, we engaged consultants and dedicated internal resources to plan for the merger and integration of Caesars into Harrah's Entertainment. These costs are reflected in Merger and integration costs for Caesars acquisition in our Consolidated Condensed Statements of Income.

Harrah's East Chicago and Harrah's Tunica

On April 26, 2005, we completed the sale of the assets and certain related liabilities of Harrah's East Chicago and Harrah's Tunica to another gaming company. Prior to their sale, these properties were

presented as Assets/Liabilities held for sale and as part of our discontinued operations in our Consolidated Condensed Financial Statements, and we ceased depreciation of their assets in September 2004. These properties contributed \$1.5 million, net of taxes of \$2.0 million, to our second quarter 2005 net income and \$11.8 million, net of taxes of \$10.4 million, to our net income for the first six months of 2005. In addition to these operating results, we recorded a gain, after taxes, on the sale of these two properties of approximately \$19.4 million in second quarter 2005.

OPERATING RESULTS AND DEVELOPMENT PLANS

Overall

	Second Quarter		Percentage Increase/ (Decrease)	First Six Months		Percentage Increase/ (Decrease)
	2005	2004		2005	2004	
(In millions, except earnings per share)						
Casino revenues	\$ 1,299.6	\$ 910.3	42.8%	\$ 2,435.6	\$ 1,808.2	34.7%
Total revenues	1,467.3	1,037.2	41.5%	2,724.6	2,049.6	32.9%
Income from operations	226.8	192.0	18.1%	459.7	368.3	24.8%
Income from continuing operations	84.2	84.1	0.1%	177.6	159.0	11.7%
Net income	105.8	90.2	17.3%	209.6	172.0	21.9%
Earnings per share-diluted						
From continuing operations	0.67	0.74	(9.5)%	1.47	1.41	4.3%
Net income	0.84	0.79	6.3%	1.74	1.52	14.5%
Operating margin	15.5%	18.5%	(3.0)pts	16.9%	18.0%	(1.1)pts

Second quarter 2005 revenues and income from continuing operations increased over second quarter 2004, driven by our acquisition of Horseshoe Gaming Holding Corp. ("Horseshoe Gaming") on July 1, 2004, our acquisition of Caesars on June 13, 2005, and higher results at many of our properties, particularly in Southern Nevada, Atlantic City and Illinois.

The properties acquired from Caesars contributed \$181.1 million in revenues and \$33.6 million in income from operations to our second quarter results subsequent to their acquisition.

For the six months ended June 30, 2005, revenues were up 32.9% and income from continuing operations was 11.7% higher than in the first six months of 2004. The year-over-year increases were due to including results from the acquisitions of Horseshoe Gaming and Caesars and from strong results from our Southern Nevada properties.

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

Since the properties acquired in the Caesars acquisition were owned for only 17 days of the quarter, our discussion of operating results will concentrate on the results of our non-Caesars properties.

West	East	North Central	South Central	Managed/Other
Harrah's Reno	Harrah's Atlantic City	Harrah's Joliet	Harrah's Lake Charles	Harrah's Ak-Chin
Harrah's/Harveys Lake Tahoe	Showboat Atlantic City	Harrah's North Kansas City	Harrah's New Orleans	Harrah's Cherokee
Bill's	Caesars Atlantic City*	Harrah's Council Bluffs	Harrah's Louisiana Downs	Harrah's Prairie Band
Harrah's Las Vegas	Bally's Atlantic City*	Bluffs Run	Horseshoe Bossier City	Harrah's Rincon
Rio		Harrah's St. Louis	Horseshoe Tunica	Punta Del Este (Uruguay)*
Harrah's Laughlin		Harrah's Metropolis	Grand Tunica*	Windsor*
Caesars Palace*		Horseshoe Hammond	Sheraton Tunica*	
Paris*		Caesars Indiana*	Grand Biloxi*	
Bally's Las Vegas*			Grand Gulfport*	
Flamingo Las Vegas*				

* Acquired from Caesars

West Results

(In millions)	Second Quarter		Percentage Increase/ (Decrease)	First Six Months		Percentage Increase/ (Decrease)
	2005	2004		2005	2004	
Casino revenues	\$ 262.3	\$ 261.0	0.5%	\$ 528.6	\$ 508.4	4.0%
Total revenues	385.0	384.5	0.1%	772.4	748.6	3.2%
Income from operations	85.3	80.9	5.4%	170.7	155.0	10.1%
Operating margin	22.2%	21.0%	1.2pts	22.1%	20.7%	1.4pts

Record second quarter revenues and income from operations in 2005 were driven by results from our Southern Nevada properties, which benefited from strong market conditions, cross-market play and increased customer traffic at the Rio from the World Series of Poker. Income from operations for our Southern Nevada properties was 11.7% higher than in second quarter 2004 as a result of the higher revenues and effective cost management. On March 10, 2005, we terminated our operating agreement with MTR Gaming Group, Inc., for operation of the Las Vegas Horseshoe. Operating results for the Las Vegas Horseshoe were consolidated with our results from April 1, 2004, until March 10, 2005; however, those results were not material to our operating results. Second quarter 2005 revenues and income from operations from our Northern Nevada properties were down 5.3% and 22.1%, respectively, from second quarter 2004. Unseasonably cool weather affected second quarter visitation in Northern Nevada.

For the six months ended June 30, 2005, revenues and income from operations from our Southern Nevada properties increased 6.8% and 17.2%, respectively, driven by the same factors that drove our second quarter results. Revenues and income from operations from our Northern Nevada properties were 5.8% and 29.3%, respectively, lower than in the first six months of 2004 due to weather conditions in January 2005 that disrupted visitation and increased marketing costs.

Construction is underway on a \$289 million, 949-room, 26-story hotel tower and convention center at Caesars Palace. This project also includes a fourth swimming pool, the upgrade and expansion of existing hotel registration areas, a VIP lounge, wedding chapels, new retail space and new dining and restaurant facilities. Completion of this project is scheduled for the third quarter of 2005. The remaining project cost to be paid after the acquisition date was approximately \$50 million.

East Results

(In millions)	Second Quarter		Percentage Increase/ (Decrease)	First Six Months		Percentage Increase/ (Decrease)
	2005	2004		2005	2004	
Casino revenues	\$ 218.6	\$ 206.6	5.8%	\$ 410.6	\$ 404.0	1.6%
Total revenues	205.3	193.9	5.9%	388.6	375.7	3.4%
Income from operations	53.2	52.1	2.1%	96.1	96.7	(0.6)%
Operating margin	25.9%	26.9%	(1.0)pt	24.7%	25.7%	(1.0)pt

Second quarter 2005 revenues for our Atlantic City properties increased 5.9% over second quarter last year, and income from operations was up 2.1% over second quarter 2004. Increased visitation, effective marketing promotions and greater operational efficiencies contributed to gains at Harrah's Atlantic City and the Showboat.

For the first six months of 2005, revenues were 3.4% higher and income from operations was 0.6% lower than in the first six months of 2004. Aggressive competition and poor weather early in the first quarter impacted 2005 results.

Construction was completed in July 2005 on a House of Blues Club at our Showboat property in Atlantic City. This approximate \$68.5 million project added a range of amenities to the property, including a concert hall, nightclub and restaurant, and a private member "Foundation Room." As of June 30, 2005, \$45.8 million had been spent on this project.

At Caesars Atlantic City a new approximately \$83.7 million parking garage adjacent to the casino opened July 1, 2005. The remaining project cost to be paid after the acquisition date was approximately \$9.7 million.

North Central Results

(In millions)	Second Quarter		Percentage Increase/ (Decrease)	First Six Months		Percentage Increase/ (Decrease)
	2005	2004		2005	2004	
Casino revenues	\$ 401.2	\$ 274.8	46.0%	\$ 797.6	\$ 547.6	45.7%
Total revenues	392.4	273.0	43.7%	781.1	541.0	44.4%
Income from operations	71.2	66.7	6.7%	146.1	108.9	34.2%
Operating margin	18.1%	24.4%	(6.3)pts	18.7%	20.1%	(1.4)pts

Harrah's East Chicago was sold in April 2005. Due to our decision to sell this property, results of Harrah's East Chicago are classified as discontinued operations, and the property is not included in our North Central grouping.

Chicagoland/Illinois—Combined second quarter 2005 revenues and income from operations at Harrah's Joliet, Harrah's Metropolis and Horseshoe Hammond more than doubled last year's second quarter revenues and income from operations due primarily to the addition of results from Horseshoe Hammond, which was acquired on July 1, 2004. Horseshoe Hammond contributed \$101.0 million in revenues and \$21.3 million in income from operations in second quarter 2005.

For the first six months of 2005, combined revenues and income from operations at Harrah's Joliet, Harrah's Metropolis and Horseshoe Hammond were more than double 2004 levels due to Horseshoe Hammond, which contributed \$203.0 million in revenues and \$43.1 million in income from operations in the first six months of 2005.

Construction is underway on a 258-room hotel and event center at Harrah's Metropolis. This project is expected to cost approximately \$70 million and completion is targeted for second quarter 2006. As of June 30, 2005, \$9.4 million had been spent on this project.

Missouri—Combined second quarter 2005 revenues at our Missouri properties increased 7.4%, driven by gains at our St. Louis property due to recent capital investments, including a 210-room hotel tower that opened in third quarter 2004. Income from operations was 7.2% below last year's second quarter due primarily to construction disruptions at Harrah's North Kansas City property, where a \$126 million expansion and property enhancement project broke ground in second quarter 2004. This project, which will add a 206-room hotel addition, new restaurants and other amenities, will open over the course of the last half of 2005. As of June 30, 2005, \$68.4 million had been spent on this project.

For the six months ended June 30, 2005, combined revenues and income from operations were 9.0% and 3.3% higher, respectively, than in the six months ended June 30, 2004.

Iowa—Revenues for second quarter 2005 from our Iowa properties were level with second quarter 2004 revenues, but income from operations was 63.5% below second quarter 2004 due to a favorable adjustment in second quarter 2004 to gaming tax accruals in response to Iowa legislation passed in April 2004. Excluding the favorable adjustment in 2004, income from operations for second quarter 2005 was down 5.8% below second quarter 2004.

For the six months ended June 30, 2005, revenues were 1.9% higher than in the first six months of 2004, but income from operations was 39.7% below the first six months of 2004 due to the favorable gaming tax accrual in 2004, partially offset by lower gaming taxes in 2005 following the resolution of the gaming tax rate issues discussed below. Excluding the favorable adjustment in 2004, income from operations for the first six months of 2005 increased 19.3% over the first six months of 2004.

Casinos at racetracks in Iowa historically had been taxed at a higher rate (36% in 2004) than the casinos on riverboats operating in Iowa (20%). The Iowa Supreme Court issued an opinion in June 2002 that this disparity was unconstitutional. The State appealed the Iowa Supreme Court's decision to the United States Supreme Court and in June 2003, the United States Supreme Court overturned the ruling and remanded the case back to the Iowa Supreme Court for further consideration. In February 2004, the Iowa Supreme Court ruled that the disparity violates the Iowa Constitution, a ruling the State appealed to the United States Supreme Court in April 2004. The United States Supreme Court declined to hear this case.

In April 2004, the Iowa legislature passed legislation to effectively settle the issues regarding the gaming tax rates. The new legislation provides for a tax rate of 22% for both riverboats and racetracks effective July 1, 2004. However, racetracks have the option to conduct table games and video games that simulate table games by paying a \$10 million fee to the State and a gaming tax rate of 24%. Twenty percent of the \$10 million fee could be used to offset wagering taxes for each of the five fiscal years beginning July 1, 2008. We plan to add table games to the Bluffs Run facility in conjunction with the rebranding, renovation and expansion of that facility (see discussion below), and in second quarter 2005, we paid the \$10 million fee to the State.

In accordance with previous agreements and as additional purchase price consideration, a payment of approximately \$73 million was made to Iowa West Racing Association ("Iowa West"), the entity holding the pari-mutuel and gaming license for the Bluffs Run Casino and with whom we have a management agreement to operate that property. The additional payment to Iowa West increased goodwill attributed to

the Bluffs Run property. The payment to Iowa West assumed we will operate table games at Bluffs Run and pay a 24% tax rate; however, Iowa West has taken the position that the purchase price adjustment should be based on a tax rate of 20%, which would result in an additional \$19.6 million payment to Iowa West. If an additional payment is required, it will increase goodwill attributed to this property. We anticipate that the issue will be resolved by arbitration during 2005.

In fourth quarter 2004, we announced plans to rebrand the Bluffs Run Casino under the Horseshoe brand as part of an \$85 million renovation and expansion of that property. The property's greyhound racetrack will remain in operation and retain the Bluffs Run brand. Construction began in February 2005 with completion scheduled for the first quarter of 2006. As of June 30, 2005, \$13.1 million had been spent on this project.

South Central Results

(In millions)	Second Quarter		Percentage Increase/ (Decrease)	First Six Months		Percentage Increase/ (Decrease)
	2005	2004		2005	2004	
Casino revenues	\$ 282.2	\$ 167.7	68.3%	\$ 563.4	\$ 347.9	61.9%
Total revenues	277.4	167.0	66.1%	553.2	347.8	59.1%
Income from operations	39.3	19.9	97.5%	86.3	47.2	82.8%
Operating margin	14.2%	11.9%	2.3pts	15.6%	13.6%	2.0pts

Harrah's Tunica was sold in April 2005. Due to our decision to sell this property, results of Harrah's Tunica are classified as discontinued operations, and the property is not included in our South Central grouping.

Combined second quarter 2005 revenues from our South Central properties were 66.1% higher than in second quarter 2004, and income from operations was 97.5% higher than last year's second quarter. The increases are due to results from Horseshoe Bossier City and Horseshoe Tunica, which were acquired on July 1, 2004, and higher results from Harrah's New Orleans and Harrah's Louisiana Downs, where the permanent facility opened in second quarter 2004 with 1,400 slot machines compared to the 900 that were in service in first quarter 2004. Increases were partially offset by the loss of revenues and income from operations from Harrah's Shreveport, which was sold in second quarter 2004.

For the first six months of 2005, revenues from our South Central properties were 59.1% higher than in the first six months of 2004, and income from operations was 82.8% higher.

Horseshoe Bossier City and Horseshoe Tunica contributed \$118.7 million in revenues and \$21.0 million in income from operations in second quarter 2005 and \$239.3 million in revenues and \$42.7 million in income from operations in the first six months of 2005.

Construction began in second quarter 2004 on a 26-story, 450-room, \$150 million hotel tower at Harrah's New Orleans. The property does not currently operate a hotel, although it does utilize rooms at third-party hotels. The hotel is expected to open in the first quarter of 2006. As of June 30, 2005, \$43.1 million had been spent on this project.

Managed Casinos and Other

Our managed and other results were higher than in second quarter 2004 primarily due to increased business volumes at managed properties following the completion of expansion projects.

In second quarter 2005, we announced that we will not seek to renew the management contract for Harrah's Prairie Band Casino when it expires in January 2008.

Construction began in January 2004 on a \$60 million expansion of Harrah's Cherokee Smoky Mountains Casino in Cherokee, North Carolina, that included a 15-story hotel tower with approximately 320 rooms, which opened in July 2005.

Construction costs of Indian casinos and hotels have been funded by the tribes or by the tribes' debt, some of which we guarantee. See DEBT AND LIQUIDITY for further discussion of our guarantees of debt related to Indian projects.

Other Factors Affecting Net Income

(In millions)	Second Quarter		Percentage Increase/ (Decrease)	First Six Months		Percentage Increase/ (Decrease)
	2005	2004		2005	2004	
(Income)/expense						
Development costs	\$ 6.7	\$ 6.1	9.8%	\$ 12.4	\$ 9.4	31.9%
Write-downs, reserves and recoveries	22.4	(5.0)	N/M	25.1	(1.7)	N/M
Project opening costs	3.6	3.9	(7.7)%	5.5	5.9	6.8%
Corporate expense	21.9	15.8	38.6%	38.2	30.5	25.2%
Merger and integration costs for Caesars acquisition	16.7	—	N/M	20.7	—	N/M
Amortization of intangible assets	3.5	1.2	N/M	7.0	2.5	N/M
Interest expense, net	89.4	58.8	52.0%	168.6	117.1	44.0%
Loss on early extinguishment of debt	—	—	—	2.2	—	N/M
Other income	(3.2)	(1.9)	68.4	(3.1)	(4.1)	(24.4)%
Effective tax rate	38.8%	36.8%	2.0pts	38.0%	36.7%	1.3pts
Minority interests	\$ 3.0	\$ 2.0	50.0%	\$ 5.5	\$ 4.0	37.5%
Discontinued operations, net of income taxes	21.6	6.1	N/M	32.0	13.0	N/M

N/M = Not Meaningful

Development costs for second quarter and first six months of 2005 were higher than in the second quarter and the first six months last year due to increased development activities in many jurisdictions, including international jurisdictions, considering allowing development and operation of casinos or casino-like operations.

Write-downs, reserves and recoveries for second quarter 2005 consisted of a \$10.0 million contribution to Harrah's Foundation, a 501(c)(3) non-profit corporation that provides charitable contributions to qualifying organizations in the communities where employees of Harrah's Entertainment and its

subsidiaries work, a litigation settlement, buy-out of a contract and charges to record asset impairments, project write-offs, demolition costs, and other nonroutine transactions.

Project opening costs include costs incurred in connection with the integration of acquired properties into Harrah's Entertainment's systems and technology and costs incurred in connection with expansion and renovation projects at various properties.

Corporate expense increased 38.6% in second quarter 2005 and 25.2% in the six months ended June 30, 2005, from the periods last year due primarily to higher executive compensation and aviation expenses and to increased costs subsequent to the acquisition of Caesars.

Merger and integration costs for the Caesars acquisition include costs for consultants and dedicated internal resources to plan for the merger and integration of Caesars into Harrah's Entertainment.

Amortization of intangible assets was higher in second quarter and the first six months of 2005 due to amortization of intangible assets acquired from Horseshoe Gaming on July 1, 2004. At June 30, 2005, the amount of the purchase price for Caesars in excess of the value assigned to tangible assets has been classified as goodwill. As a result, amortization expense does not include estimates of amortization that may arise from the allocation of a portion of the purchase price to identifiable intangible assets. The identification and valuation of identifiable intangible assets, estimated useful lives and amortization periods will be determined during the purchase price allocation process.

Interest expense increased in second quarter 2005 from 2004 due to increased borrowings related to our acquisitions of Horseshoe Gaming and Caesars and to higher interest rates on our variable rate debt. The average interest rate on our variable-rate debt, excluding the impact of our swap agreements, was 3.9% and 2.2% at June 30, 2005 and 2004, respectively. A change in interest rates will impact our financial results. For example, assuming a constant outstanding balance for our variable-rate debt for the next twelve months, a hypothetical 1% change in corresponding interest rates would change interest expense for the next twelve months by approximately \$36.8 million, or \$9.2 million per quarter. Our variable-rate debt, including \$800 million of fixed-rate debt for which we have entered into interest rate swap agreements, represents approximately 35% of our total debt, while our fixed-rate debt is approximately 65% of our total debt. (For discussion of our interest rate swap agreements, see DEBT AND LIQUIDITY, Interest Rate Swap Agreements.)

The 2005 Loss on early extinguishment of debt represents premiums paid and the write-off of unamortized deferred financing costs associated with the portion of our 7.875% Senior Subordinated Notes due in December 2005 that were retired in February 2005.

Other income was higher in second quarter 2005 than in second quarter last year due to higher interest income on the cash surrender value of life insurance policies, receipt of a death benefit and collection of a previously reserved investment.

The effective tax rates for both periods are higher than the federal statutory rate due primarily to state income taxes. Our effective tax rate was higher in second quarter 2005 than in second quarter last year due to the change in the mix of taxable income among various states and the addition of foreign income subsequent to our acquisition of Caesars. Our effective tax rate for the first six months of 2005 was also affected by changes in the expected permanent differences arising from company-owned life insurance policies.

Minority interests reflect minority owners' shares of income from our majority-owned subsidiaries.

Discontinued operations reflect the results of Harrah's East Chicago and Harrah's Tunica through the date of their sale in April 2005, including the gain on the sale, and beginning June 13, 2005, the operating results of Reno Hilton, Flamingo Laughlin and a hotel in Halifax, Nova Scotia.

CAPITAL SPENDING AND DEVELOPMENT

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

Our 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 pursued is expected to be made available from operating cash flows, bank borrowings (see DEBT AND LIQUIDITY), joint venture partners, specific project financing, guarantees of third-party debt and, if necessary, additional debt and/or equity offerings. Our capital spending for the first six months of 2005 totaled approximately \$482.0 million, excluding our acquisition of Caesars. Estimated total capital expenditures for 2005 are expected to be between \$1.0 billion and \$1.3 billion, excluding development opportunities that we have not yet identified.

DEBT AND LIQUIDITY

We generate substantial cash flows from operating activities, as reflected on the Consolidated Condensed Statements of Cash Flows. These cash flows reflect the impact on our consolidated operations of the success of our marketing programs, our strategic acquisitions and on-going cost containment focus. For the first six months of 2005 and 2004, we reported cash flows from operating activities of \$83.8 million and \$335.2 million, respectively.

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

Our cash and cash equivalents totaled approximately \$643.0 million at June 30, 2005, compared to \$381.2 million at June 30, 2004.

At June 30, 2005, \$932.2 million, face amount, of debt due in December 2005, including \$400.0 million, face amount, assumed in the Caesars acquisition, is classified as long-term in our Consolidated Condensed Balance Sheets because the Company has both the intent and the ability to refinance these notes. The majority of the remaining balance of our debt is due in the year 2007 and beyond. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows. Long-term obligations are expected to be paid through operating cash flows, refinancing of debt, joint venture partners or, if necessary, additional debt and/or equity offerings.

Debt Assumed in Acquisition of Caesars

The following debt was assumed in our acquisition of Caesars.

(In millions)	<u>Face Amount</u>
7.875% Senior Subordinated Notes, due 2005	\$ 400.0
8.5% Senior Notes, due 2006	400.0
7.5% Senior Notes, due 2009	425.0
7.0% Senior Notes, due 2013	300.0
9.375% Senior Subordinated Notes, due 2007	500.0
8.875% Senior Subordinated Notes, due 2008	400.0
7.875% Senior Subordinated Notes, due 2010	375.0
8.125% Senior Subordinated Notes, due 2011	350.0
Floating Rate Contingent Convertible Senior Notes, due 2024	375.0
Other	50.3
Total	<u>\$ 3,575.3</u>

We recorded the above debt at its market value, which, at June 13, 2005, was \$3,851.8 million. The debt was assumed by Harrah's Operating Company, Inc., a wholly-owned subsidiary of Harrah's Entertainment, and is guaranteed by Harrah's Entertainment.

Included in the debt assumed in the Caesars acquisition is \$375 million Floating Rate Contingent Convertible Senior Notes due 2024. The notes bear interest at an annual rate equal to the three-month LIBOR, adjusted quarterly. The interest rate on these notes was 3.1% at June 30, 2005. The notes are convertible into cash and shares of common stock in the following circumstances:

- during any fiscal quarter, if the closing sale price of the Company's common stock for 20 out of the last 30 consecutive trading days during the previous quarter is more than 120% of the Conversion Price of the notes;
- the Company has called the notes for redemption and the redemption has not yet occurred;
- during the five trading day period immediately after any five consecutive trading day period in which the trading price of the notes per \$1,000 principal amount for each day of such period was less than 95% of the product of the closing sale price of the Company's common stock on such day multiplied by the number of shares issuable upon conversion; provided that, if on such date, the common stock price is between the Conversion Price and 120% of the Conversion Price, as defined, then the holders will receive the principal amount of the notes surrendered plus accrued but unpaid interest; or
- upon the occurrence of specified corporate transactions as defined in the indenture covering these notes.

Holders may convert any outstanding notes into cash and shares of the Company's common stock at an initial conversion price per share of \$68.65 (the "Conversion Price"). This represents a conversion rate of approximately 14.5666 shares of common stock per \$1,000 principal amount of notes (the "Conversion Rate"). Subject to certain exceptions described in the indenture covering these notes, at the time the notes are tendered for conversion the value (the "Conversion Value") of the cash and shares of the Company's common stock, if any, to be received by a holder converting \$1,000 principal amount of the notes will be determined by multiplying the Conversion Rate by the "Ten Day Average Closing Stock Price," which equals the average of the closing per share prices of the Company's common stock on the New York Stock Exchange on the ten consecutive trading days beginning on the second trading day following the day the notes are submitted for conversion. The Conversion Value will be delivered to holders as follows: (1) an

amount in cash (the "Principal Return") equal to the lesser of (a) the aggregate Conversion Value of the notes to be converted and (b) the aggregate principal amount of the notes to be converted, and (2) if the aggregate Conversion Value of the notes to be converted is greater than the Principal Return, any amount in shares (the "Net Shares") equal to the aggregate Conversion Value less the Principal Return (the "Net Share Amount"). The Company will pay the Principal Return and deliver the Net Shares, if any, as promptly as practicable after determination of the Net Share Amount. The number of Net Shares to be paid will be determined by dividing the Net Share Amount by the Ten Day Average Closing Stock Price.

The Conversion Price will decrease when cash dividends are declared so that the Conversion Price will equal the price determined by multiplying the Conversion Price in effect immediately prior to the record date for such dividend by a fraction, (i) the numerator of which shall be the average of the pre-dividend sale price, as defined in the agreement, minus the amount of the cash dividend, and (ii) the denominator of which shall be the pre-dividend sale price.

The notes are redeemable by the Company at any time on or after April 20, 2009, at 100 percent of the principal amount of the notes plus accrued and unpaid interest. Holders may require the Company to purchase all or a portion of these notes on April 15, 2009, 2014, and 2019 at 100 percent of the principal amount of the notes plus accrued and unpaid interest. The notes are unsecured obligations, rank equal with our other senior indebtedness and are senior to all of our subordinated indebtedness.

Credit Agreement

As of December 31, 2004, our credit facilities (the "Credit Agreement") provided for up to \$2.5 billion in borrowings, maturing on April 23, 2009. In January 2005, an agreement was reached to amend the Credit Agreement, which increased our borrowing capacity from \$2.5 billion to \$4.0 billion. The

amendment also contains a provision that will allow a further increase in the borrowing capacity to \$5.0 billion, if mutually acceptable to the Company and the lenders, and lowered the combined interest spread from LIBOR plus 110 basis points to LIBOR plus 87.5 basis points. The amended agreement became effective upon the satisfaction of various closing conditions, including the closing of our acquisition of Caesars. Other significant terms and conditions of the Credit Agreement, including the maturity date of April 2009, did not change. As of June 30, 2005, the Credit Agreement bore interest based upon 70 basis points over LIBOR and bore a facility fee for borrowed and unborrowed amounts of 17.5 basis points, a combined 87.5 basis points. At our option, we may borrow at the prime rate under the Credit Agreement. As of June 30, 2005, \$2.14 billion in borrowings was outstanding under the Credit Agreement with an additional \$106.9 million committed to back letters of credit. After consideration of these borrowings, but before consideration of amounts borrowed under the commercial paper program, \$1.75 billion of additional borrowing capacity was available to the Company as of June 30, 2005.

Interest Rate Swap Agreements

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

from dealer quotes. Such quotes represent the estimated amounts we would receive or pay to terminate the contracts.

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

As of June 30, 2005, we were a party to eight interest rate swaps, including four assumed in the Caesars acquisition, for a total notional amount of \$800 million. These interest rate swaps serve to manage the mix of our debt between fixed and variable rate instruments by effectively converting fixed rates associated with long-term debt obligations to floating rates. The major terms of the interest rate swaps are as follows.

<u>Effective Date</u>	<u>Notional Amount</u> (In millions)	<u>Fixed Rate Received</u>	<u>Variable Rate Paid as of June 30, 2005</u>	<u>Next Reset Date</u>	<u>Maturity Date</u>
Dec. 29, 2003	\$ 50	7.875%	9.364%	—	Dec. 15, 2005
Dec. 29, 2003	150	7.875%	9.368%	—	Dec. 15, 2005
Jan. 30, 2004	200	7.125%	7.759%	Dec. 1, 2005	June 1, 2007
Feb. 2, 2004	100	7.875%	9.386%	—	Dec. 15, 2005
Sept. 19, 2003*	75	7.000%	6.144%	Oct. 15, 2005	Apr. 15, 2013
Sept. 19, 2003*	75	7.000%	6.136%	Oct. 15, 2005	Apr. 15, 2013
Nov. 12, 2003*	75	7.000%	5.866%	Oct. 15, 2005	Apr. 15, 2013
Nov. 12, 2003*	75	7.000%	5.851%	Oct. 15, 2005	Apr. 15, 2013

* Assumed in our acquisition of Caesars. The variable rates on the swaps acquired from Caesars are set in arrears and are estimated at June 30, 2005, based on a forward LIBOR rate.

The Company’s four original interest rate swaps qualify for the “shortcut” method allowed under SFAS No. 133, which allows for an assumption of no ineffectiveness. The interest rate swaps assumed in our acquisition of Caesars do not qualify for the “shortcut” method; however, they are highly effective. The income statement impact from changes in the fair value of the hedging instruments for our swap agreements was not material during any of the periods reported. The net effect of the above swaps increased our second quarter and first six months 2005 interest expense by \$0.3 million and \$0.6 million, respectively, and reduced our second quarter and first six months 2004 interest expense by \$1.5 million and \$2.7 million, respectively.

Commercial Paper

To provide the Company with cost-effective borrowing flexibility, we have a \$200 million commercial paper program that is used to borrow funds for general corporate purposes. At June 30, 2005, \$118.1 million was outstanding under this program.

Senior Floating Rate Notes

In February 2005, we issued \$250 million of Senior Floating Rate Notes due in 2008 in a Rule 144A private placement. We agreed to, upon the request by holders of a majority in aggregate principal amount of the Senior Floating Rate Notes then outstanding, exchange the private placement offering with fully registered Senior Floating Rate Notes. If the exchange offer does not provide the holders of the Senior Floating Rate Notes freely transferable securities, we may be required to file a shelf registration statement that would allow them to resell the Senior Floating Rate Notes in the open market, subject to certain restrictions. At June 30, 2005, the interest rate on these notes was 3.83%.

Offering of 5.625% Senior Notes

In May 2005, we issued \$750 million of 5.625% Senior Notes due 2015 in a Rule 144A private placement. We agreed to offer to exchange the 5.625% Senior Notes issued in private placement with the fully registered 5.625% Senior Notes within 210 days of issuance. Should we fail to complete the

registration and related exchange offer for the 5.625% Senior Notes, the interest rate will increase by up to 0.5% per annum. However, we expect to complete the exchange offer within the required period of time.

In anticipation of issuing this debt and to partially hedge the risk of future increases to the treasury rate, we entered into agreements in the fourth quarter of 2004 and the first quarter of 2005 to lock in existing ten-year rates to hedge against such increases on \$500 million of the debt issued. Changes in the fair values of the treasury rate lock agreements were recorded as a component of other comprehensive income and are being reclassified to earnings over the ten-year life of this debt. The treasury locks resulted in an effective rate of 5.86% on this debt.

Debt Repurchase Program

In July 2003, our Board of Directors authorized the Company to retire, from time to time through cash purchases, portions of our outstanding debt in open market purchases, privately negotiated transactions or otherwise. These repurchases will be funded through available cash from operations and borrowings from our established debt programs. Such repurchases will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors. In first quarter 2005, we retired \$58.3 million of our 7.875% Senior Subordinated Notes due in December 2005, bringing the total retired under this authorization to \$217.8 million of our 7.875% Senior Subordinated Notes.

Equity Repurchase Program

In November 2004, our Board of Directors authorized the purchase of 3.5 million shares of common stock in the open market and negotiated purchases through the end of 2005. As of June 30, 2005, no shares have been repurchased under this authorization.

Shares Outstanding

In connection with the Caesars acquisition, we issued 67.9 million shares of Harrah's Entertainment common stock. Since these additional shares were outstanding only 17 days of the quarter, our average shares outstanding calculation was only partially impacted in second quarter by the transaction.

Cash Dividends

In April 2005, the Company declared a cash dividend of 33 cents per share, which was paid on May 25, 2005, to shareholders of record as of the close of business on May 11, 2005. The Company has paid quarterly cash dividends since third quarter 2003. Subsequent to the end of second quarter 2005, our Board of Directors increased the regular quarterly cash dividend ten percent to 36.25 cents per share, payable on August 24, 2005, to shareholders of record as of the close of business on August 10, 2005.

Guarantees of Third-Party Debt and Other Obligations and Commitments

The table below summarizes total material additions to or changes in our contractual obligations and other commitments, which were disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations presented in our 2004 Annual Report on Form 10-K.

(In millions)	Increase/(Decrease)	Amount of Increase/(Decrease) Attributable to Acquisition of Caesars	Total Obligation
Contractual Obligations			
Debt	\$ 5,047.4	\$ 3,567.8	\$ 10,200.3
Estimated interest payments(a)	2,794.7	1,128.2	2,794.7
Operating lease obligations	978.5	621.2	1,546.2
Purchase order obligations	57.8	50.0	76.0
Guaranteed payments to State of Louisiana	30.2	—	165.0
Construction commitments	154.1	112.9	477.7
Other contractual obligations	175.9	147.7	328.6
Other Commitments			
Guarantees of loans	(9.5)	—	282.5
Minimum payments to tribes	(7.2)	—	88.9
Letters of credit	47.1	48.9	106.9

(a) Estimated interest payments were not included in our disclosure in our 2004 Annual Report on Form 10-K. Estimated interest for variable rate debt is based on rates at 6/30/05.

The agreements pursuant to which we manage casinos on Indian lands contain provisions required by law that provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled repayments of borrowings for development costs and over the management fee earned and paid to the manager. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. Subject to certain limitations as to time, such advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. Our aggregate monthly commitment for the minimum guaranteed payments, pursuant to these contracts for the four managed Indian-owned facilities now open, which extend for periods of up to 77 months from June 30, 2005, is \$1.2 million. Each of these casinos currently generates sufficient cash flows to cover all of its obligations, including its debt service.

We may guarantee all or part of the debt incurred by Indian tribes, with which we have entered management contracts, 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 June 30, 2005, was \$259.5 million.

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS

Competitive Pressures

Many casino operators are reinvesting in existing markets in an effort to attract new customers, thereby increasing competition in those markets. As companies have completed expansion projects, supply has sometimes grown at a faster pace than demand in certain markets and competition has increased significantly. Furthermore, several operators, including Harrah's Entertainment, have announced plans for additional developments or expansions in some markets.

Some states are considering legislation enabling the development and operation of casinos or casino-like businesses.

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

Political Uncertainties

The casino entertainment industry is subject to political and regulatory uncertainty. From time to time, individual jurisdictions have also considered legislation or referendums that 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, that 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.

Addition of International Operations

The acquisition of Caesars included certain properties located in countries outside the United States. International operations are subject to inherent risks including variation in local economies, currency fluctuation, greater difficulty in accounts receivable collection, trade barriers, burden of complying with a variety of international laws and political and economic instability.

In addition, Caesars had announced plans to develop and operate a casino in the United Kingdom, partnering with Quintain Estates and Development Group, at the Wembley National Soccer Stadium. The statutory gaming laws of the United Kingdom were reformed in April 2005. The legislation authorized one "regional" casino, which is anticipated to have approximately 1,250 U.S.-style slot machines. The location of the regional casino has not been determined. Published reports have indicated that the location will be determined based on regeneration benefits.

Harrah's Entertainment and Keppel Land Ltd., a Singapore property developer, plan to submit joint proposals to the Singapore Tourism Board for the development of two integrated resorts in the Republic of Singapore.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We prepare our Consolidated Condensed Financial Statements in conformity with accounting principles generally accepted in the United States. Certain of our accounting policies, including the estimated lives assigned to our assets, the determination of bad debt, asset impairment, fair value of guarantees and self-insurance reserves, the purchase price allocations made in connection with our acquisitions and the calculation of our income tax liabilities, require that we apply significant judgment in defining the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. Our judgments are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. There can be no assurance that actual results will not differ from our estimates. For a discussion of our significant accounting policies and estimates, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements presented in our 2004 Annual Report on Form 10-K. There were no newly identified significant accounting estimates in first six months of 2005, nor were there any material changes to the critical accounting policies and estimates discussed in our 2004 Annual Report.

RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment." SFAS No. 123(R) requires that we recognize an expense for our equity-based compensation programs, including stock options. In second quarter 2005, the application of SFAS No. 123(R) was changed from the first interim or annual reporting period that begins after June 15, 2005, to the first annual reporting period that begins after June 15, 2005. Based on the new guidance, we will apply SFAS No. 123(R) in our first quarter 2006 reporting period. We are currently evaluating the provisions of SFAS No. 123(R) to determine its impact on our future financial statements.

In September 2004, the Emerging Issues Task Force reached a consensus on Issue 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share," which addresses when contingently convertible instruments should be included in diluted earnings per share. Per the consensus, contingently convertible instruments should be included in diluted earnings per share (if dilutive) regardless of whether the market price trigger has been met. The consensus is to be applied to reporting periods ending after December 15, 2004. The dilutive effect of the contingently convertible instruments assumed in our acquisition of Caesars is included in our diluted earnings per share calculation for the period ended June 30, 2005.

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations—an interpretation of FASB Statement No. 143" (FIN 47), to address diverse accounting practices with respect to the timing of liability recognition for legal obligations associated with the retirement of a tangible long-lived asset when the timing or method of settlement of the obligation are conditional on a future event. FIN 47 is effective no later than December 31, 2005, for calendar year companies. We are currently evaluating the provisions of FIN 47 to determine the impact, if any, to our Company.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3," which changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary

changes in accounting principle, as well as to changes required by an accounting pronouncement if the pronouncement does not include specific transition provisions. This statement requires retrospective application to prior periods' financial statements of changes in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

PRIVATE SECURITIES LITIGATION REFORM ACT

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

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

- the effect of economic, credit and capital market conditions on the economy in general, and on gaming and hotel companies in particular;
- construction factors, including delays, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters and building permit issues;
- the effects of environmental and structural building conditions relating to the Company's properties;
- our ability to timely and cost-effectively integrate into our operations the companies that we acquire, including with respect to our acquisition of Caesars;
- access to available and feasible financing on a timely basis;
- changes in laws (including increased tax rates), regulations or accounting standards, third-party relations and approvals, and decisions of courts, regulators and governmental bodies;
- litigation outcomes and judicial actions, including gaming legislative action, referenda and taxation;
- ability of our customer-tracking, customer loyalty and yield-management programs to continue to increase customer loyalty and same-store sales;
- our ability to recoup costs of capital investments through higher revenues;
- acts of war or terrorist incidents;
- abnormal gaming holds; and
- the effects of competition, including locations of competitors and operating and market competition.

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our debt. 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 \$10.4 billion total debt at June 30, 2005, \$3.7 billion, including \$800 million of fixed-rate debt for which we have entered into interest rate swap agreements, is subject to variable interest rates. For our fixed-rate debt subject to interest rate swap agreements, the average interest rate received was 7.4% at June 30, 2005, compared to 7.7% average interest rate paid on the swaps. The average interest rate on our variable-rate debt, excluding the impact of our swap agreements, was 3.9% at June 30, 2005. Assuming a constant outstanding balance for our variable rate debt for the next twelve months, a hypothetical 1% change in interest rates would change interest expense for the next twelve months by approximately \$36.8 million.

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. We also utilize treasury rate locks to hedge the risk of future treasury rate increases for certain forecasted debt issuances. We do not purchase or hold any derivative financial instruments for trading purposes.

Foreign currency translation gains and losses were not material to our results of operations for second quarter 2005. Although, in connection with our acquisition of Caesars, we have ownership interests in businesses in foreign countries, these operations are not material to our consolidated financial position,

results of operations or cash flows. 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.

From time to time, we hold investments in various available-for-sale equity securities; however, 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 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Our principal executive officer and principal financial officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of a date within 90 days of the filing date of this Quarterly Report on Form 10-Q. Based on such evaluation, they have concluded that as of such date, our disclosure controls and procedures are effective and designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms.

(b) Changes in internal controls.

On June 13, 2005, the Company completed the purchase of Caesars. The Company is in the process of integrating the Caesars operations and will be conducting control reviews pursuant to the Sarbanes-Oxley Act of 2002. Excluding the Caesars acquisition, there have been no significant changes in our internal controls over financial reporting during the quarter ended June 30, 2005, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. See Note 4 to our Consolidated Condensed Financial Statements included in Item 1 for discussion of the acquisition and related financial data.

PART II—OTHER INFORMATION

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

At the Annual Meeting of Stockholders of Harrah's Entertainment, Inc. held on April 28, 2005, the following matters set forth in the Company's Proxy Statement dated March 3, 2005, were voted upon with the results indicated below.

- (1) The nominees listed below were elected as Class III directors for a three-year term ending at the 2008 Annual Meeting with the respective votes set forth opposite their names:

	<u>FOR</u>	<u>WITHHELD</u>
Barbara T. Alexander	102,723,471	1,068,653
Frank J. Biondi, Jr.	98,408,512	5,383,612
Robert G. Miller	99,680,109	4,112,015
Christopher J. Williams	103,128,189	663,935

In addition to the above directors, the terms of the following directors continued after the meeting: Joe M. Henson, R. Brad Martin, Gary G. Michael, Ralph Horn, Gary W. Loveman, and Boake A. Sells.

- (2) A proposal to ratify the appointment of Deloitte & Touche LLP to serve as the independent registered public accounting firm of the Company for the 2005 calendar year was approved, with 102,700,733 votes cast FOR, 976,122 votes cast AGAINST, and 115,269 abstentions.

Item 6. Exhibits.

- 3.1 Certificate of Amendment of Certificate of Incorporation dated June 9, 2005. (Incorporated by reference from the Company's Registration Statement on Form S-3/A filed on July 1, 2005.)
- 4.1 Certificate of Amendment of Certificate of Designations of Series A Special Stock of Harrah's Entertainment, Inc., dated June 23, 2005. (Incorporated by reference to the Company's Current Report on Form 8-K filed June 28, 2005.)
- 4.2 Third Amendment, dated as of June 23, 2005, to Rights Agreement, dated as of October 5, 1996, between Harrah's Entertainment, Inc. and The Bank of New York. (Incorporated by reference to the Company's Registration Statement on Form S-3/A filed on July 1, 2005.)
- 4.3 Indenture dated as of December 21, 1998 by and among Park Place Entertainment Corporation and First Union National Bank, as trustee, with respect to \$400 million aggregate principal amount of 7^{7/8}% Senior Subordinated Notes due 2005 (Incorporated by reference to Exhibit 4.5 to the Form 8-K of Caesars Entertainment, Inc. filed with the Commission on January 8, 1999.)
- *4.4 Indenture, dated as of November 9, 1999 between Park Place Entertainment Corporation, as Issuer, and Norwest Bank Minnesota, N.A., as Trustee.
- 4.5 Officers' Certificate dated as of November 9, 1999 with respect to \$400 million principal amount of 8.5% Senior Notes due 2006. (Incorporated by reference to the Form 8-K of Caesars Entertainment, Inc. filed with the Commission on November 12, 1999.)

- 4.6 Indenture dated as of February 22, 2000 by and among Park Place Entertainment Corporation and Norwest Bank Minnesota, N.A., with respect to \$500 million aggregate principal amount of 9³/₈% Senior Subordinated Notes due 2007. (Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 of Caesars Entertainment, Inc. filed with the Commission on March 22, 2000.)
- 4.7 Officers' Certificate dated as of September 12, 2000 with respect to \$400 million principal amount of 8.875% Senior Subordinated Notes due 2008. (Incorporated by reference to the Form 8-K of Caesars Entertainment, Inc. filed with the Commission on September 19, 2000.)
- 4.8 Indenture dated as of May 14, 2001 by and among Park Place Entertainment Corporation and Wells Fargo Bank Minnesota, N.A., with respect to the 8.125% Senior Subordinated Notes due 2011 (Incorporated by reference to Exhibit 4.1 of the Registration Statement on Form S-4 of Caesars Entertainment, Inc. with the Commission on June 7, 2001.)
- 4.9 Indenture dated as of August 22, 2001 by and among Park Place Entertainment Corporation and Wells Fargo Bank Minnesota, N.A., with respect to the 7.50% Senior Notes due 2009 (Incorporated by reference to Exhibit 4.1 of the Registration Statement on Form S-4 of Caesars Entertainment, Inc. filed with the Commission on September 21, 2001.)
- 4.10 Registration Rights Agreement dated as of August 22, 2001 by and among Park Place Entertainment Corp. and Credit Suisse First Boston Corporation, Banc of America Securities LLC, Deutsche Bank Alex. Brown Inc., Dresdner Kleinwort Wassterstein-Grantchester, Inc., BNY Capital Markets, Inc., Commerzbank Capital Markets Corporation, First Union Securities, Inc., Fleet Securities, Inc., Scotia Capital (USA) Inc., SG Cowen Securities Corporation and Wells Fargo Brokerage Services, LLC (Incorporated by reference to Exhibit 4.2 of the Registration Statement on Form S-4 of Caesars Entertainment, Inc. filed with the Commission on September 21, 2001.)
- 4.11 Indenture dated as of April 11, 2003 by and among Park Place Entertainment Corporation and U.S. Bank National Association, with respect to \$300 million aggregate principal amount of 7% Senior Subordinated Notes due 2013 (Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 of Caesars Entertainment, Inc. filed with the Commission on April 29, 2003.)
- 4.12 Indenture dated as of March 14, 2002 by and among Park Place Entertainment Corporation and Wells Fargo Bank Minnesota, National Association, with respect to \$375 million aggregate principal amount of 7⁷/₈% Senior Subordinated Notes due 2010 (Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 of Caesars Entertainment, Inc. filed with the Commission on April 12, 2002.)
- 4.13 Indenture dated as of April 7, 2004 by and among Caesars Entertainment, Inc., and U.S. Bank National Association with respect to the Floating Rate Contingent Convertible Senior Notes Due 2024 (Incorporated by reference to Exhibit 4.2 to the Form 10-Q of Caesars Entertainment, Inc. filed with the Commission on May 10, 2004.)
- 4.14 Indenture, dated as of May 27, 2005, between Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, with respect to the 5.625% Senior Notes due 2015. (Incorporated by reference to the Company's Current Report on Form 8-K filed June 3, 2005.)

-
- 4.15 Registration Rights Agreement dated May 27, 2005 among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and the Initial Purchasers, as set forth therein, with respect to the 5.625% Senior Notes due 2015. (Incorporated by reference to the Company's Current Report on Form 8-K filed June 3, 2005.)
- *4.16 First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of December 21, 1998, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and Wachovia Bank, National Association, as Trustee, with respect to the 7⁷/₈% Senior Subordinated Notes due 2005.
- *4.17 First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of November 9, 1999, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 8.5% Senior Notes due 2006 and the 8.875% Senior Subordinated Notes due 2008.
- *4.18 First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of February 22, 2000, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 9³/₈% Senior Subordinated Notes due 2007.
- *4.19 First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of May 14, 2001, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 8¹/₈% Senior Subordinated Notes due 2011.
- *4.20 First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of August 22, 2001, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc.,

- Caesars Entertainment, Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 7.50% Senior Notes due 2009.
- *4.21 First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of March 14, 2002, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 7.75% Senior Subordinated Notes due 2010.
- *4.22 First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of April 11, 2003, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and U.S. Bank National Association, as Trustee, with respect to the 7% Senior Notes due 2013.
- 4.23 Second Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of April 7, 2004, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and U.S. Bank National Association, as Trustee, with respect to the Floating Rate Contingent Convertible Senior Notes due 2024. (Incorporated by reference to the exhibit filed with the Registration Statement on Form S-3/A of Harrah's Entertainment, Inc., File No. 333-12566, filed July 1, 2005.)
- *10.1 Purchase Agreement, dated May 19, 2005, among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., and the Initial Purchasers, as set forth therein, with respect to the 5.625% Senior Notes due 2015.

-
- 10.2 Park Place Entertainment Corporation 1998 Stock Incentive Plan. (Incorporated by reference to the exhibit filed with the Registration Statement of Caesars Entertainment, Inc. on Form S-8, filed on December 22, 1998); and the 1998 Stock Incentive Plan, as amended May 11, 2001. (Incorporated by reference the exhibit filed with the Registration Statement of Caesars Entertainment, Inc. on Form S-8, filed on July 31, 2001.)
- 10.3 Restated Park Place Entertainment Corporation Executive Deferred Compensation Plan as Restated and Amended effective January 1, 2000. (Incorporated by reference to the exhibit filed with Caesars Entertainment, Inc.'s Annual Report on Form 10-K, filed on March 18, 2002).
- 10.4 The Restated Park Place Entertainment Corporation Executive Deferred Compensation Plan, as restated and amended effective January 1, 2002. (Incorporated by reference to the exhibit filed with Caesars Entertainment, Inc.'s Annual Report on Form 10-K, filed on March 28, 2003.)
- *31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated August 9, 2005.
- *31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated August 9, 2005.
- *32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated August 9, 2005.
- *32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated August 9, 2005.

* Filed herewith.

SIGNATURE

Pursuant to the requirements 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.

August 9, 2005

By: /s/ ANTHONY D. MCDUFFIE
Anthony D. McDuffie
Senior Vice President, Controller and
Chief Accounting Officer

EXHIBIT INDEX

Exhibit No.	Description	Sequential Page No.
3.1	Certificate of Amendment of Certificate of Incorporation dated June 9, 2005. (Incorporated by reference from the Company's Registration Statement on Form S-3/A filed on July 1, 2005.)	
4.1	Certificate of Amendment of Certificate of Designations of Series A Special Stock of Harrah's Entertainment, Inc., dated June 23, 2005. (Incorporated by reference to the Company's Current Report on Form 8-K filed June 28, 2005.)	
4.2	Third Amendment, dated as of June 23, 2005, to Rights Agreement, dated as of October 5, 1996, between Harrah's Entertainment, Inc. and The Bank of New York. (Incorporated by reference to the Company's Registration Statement on Form S-3/A filed on July 1, 2005.)	
4.3	Indenture dated as of December 21, 1998 by and among Park Place Entertainment Corporation and First Union National Bank, as trustee, with respect to \$400 million aggregate principal amount of 7 ⁷ / ₈ % Senior Subordinated Notes due 2005 (Incorporated by reference to Exhibit 4.5 to the Form 8-K of Caesars Entertainment, Inc. filed with the Commission on January 8, 1999.)	
*4.4	Indenture, dated as of November 9, 1999 between Park Place Entertainment Corporation, as Issuer, and Norwest Bank Minnesota, N.A., as Trustee.	
4.5	Officers' Certificate dated as of November 9, 1999 with respect to \$400 million principal amount of 8.5% Senior Notes due 2006. (Incorporated by reference to the Form 8-K of Caesars Entertainment, Inc. filed with the Commission on November 12, 1999.)	
4.6	Indenture dated as of February 22, 2000 by and among Park Place Entertainment Corporation and Norwest Bank Minnesota, N.A., with respect to \$500 million aggregate principal amount of 9 ³ / ₈ % Senior Subordinated Notes due 2007. (Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 of Caesars Entertainment, Inc. filed with the Commission on March 22, 2000.)	
4.7	Officers' Certificate dated as of September 12, 2000 with respect to \$400 million principal amount of 8.875% Senior Subordinated Notes due 2008. (Incorporated by reference to the Form 8-K of Caesars Entertainment, Inc. filed with the Commission on September 19, 2000.)	
4.8	Indenture dated as of May 14, 2001 by and among Park Place Entertainment Corporation and Wells Fargo Bank Minnesota, N.A., with respect to the 8.125% Senior Subordinated Notes due 2011 (Incorporated by reference to Exhibit 4.1 of the Registration Statement on Form S-4 of Caesars Entertainment, Inc. with the Commission on June 7, 2001.)	
4.9	Indenture dated as of August 22, 2001 by and among Park Place Entertainment Corporation and Wells Fargo Bank Minnesota, N.A., with respect to the 7.50% Senior Notes due 2009 (Incorporated by reference to Exhibit 4.1 of the Registration Statement on Form S-4 of Caesars Entertainment, Inc. filed with the Commission on September 21, 2001.)	
46		
4.10	Registration Rights Agreement dated as of August 22, 2001 by and among Park Place Entertainment Corp. and Credit Suisse First Boston Corporation, Banc of America Securities LLC, Deutsche Bank Alex. Brown Inc., Dresdner Kleinwort Wassterstein-Grantchester, Inc., BNY Capital Markets, Inc., Commerzbank Capital Markets Corporation, First Union Securities, Inc., Fleet Securities, Inc., Scotia Capital (USA) Inc., SG Cowen Securities Corporation and Wells Fargo Brokerage Services, LLC (Incorporated by reference to Exhibit 4.2 of the Registration Statement on Form S-4 of Caesars Entertainment, Inc. filed with the Commission on September 21, 2001.)	
4.11	Indenture dated as of April 11, 2003 by and among Park Place Entertainment Corporation and U.S. Bank National Association, with respect to \$300 million aggregate principal amount of 7% Senior Subordinated Notes due 2013 (Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 of Caesars Entertainment, Inc. filed with the Commission on April 29, 2003.)	
4.12	Indenture dated as of March 14, 2002 by and among Park Place Entertainment Corporation and Wells Fargo Bank Minnesota, National Association, with respect to \$375 million aggregate principal amount of 7 ⁷ / ₈ % Senior Subordinated Notes due 2010 (Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 of Caesars Entertainment, Inc. filed with the Commission on April 12, 2002.)	
4.13	Indenture dated as of April 7, 2004 by and among Caesars Entertainment, Inc., and U.S. Bank National Association with respect to the Floating Rate Contingent Convertible Senior Notes Due 2024 (Incorporated by reference to Exhibit 4.2 to the Form 10-Q of Caesars Entertainment, Inc. filed with the Commission on May 10, 2004.)	
4.14	Indenture, dated as of May 27, 2005, between Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, with respect to the 5.625% Senior Notes due 2015. (Incorporated by reference to the Company's Current Report on Form 8-K filed June 3, 2005.)	
4.15	Registration Rights Agreement dated May 27, 2005 among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and the Initial Purchasers, as set forth therein, with respect to the 5.625% Senior Notes due 2015. (Incorporated by reference to the Company's Current Report on Form 8-K filed June 3, 2005.)	
*4.16	First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of December 21, 1998, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and Wachovia Bank, National Association, as Trustee, with respect to the 7 ⁷ / ₈ % Senior Subordinated Notes due 2005.	
*4.17	First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of November 9, 1999, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 8.5% Senior Notes due 2006 and the 8.875% Senior Subordinated Notes due 2008.	

-
- *4.18 First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of February 22, 2000, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 9³/₈% Senior Subordinated Notes due 2007.
 - *4.19 First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of May 14, 2001, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 8¹/₈% Senior Subordinated Notes due 2011.
 - *4.20 First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of August 22, 2001, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 7.50% Senior Notes due 2009.
 - *4.21 First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of March 14, 2002, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 7⁷/₈% Senior Subordinated Notes due 2010.
 - *4.22 First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of April 11, 2003, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and U.S. Bank National Association, as Trustee, with respect to the 7% Senior Notes due 2013.
 - 4.23 Second Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of April 7, 2004, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and U.S. Bank National Association, as Trustee, with respect to the Floating Rate Contingent Convertible Senior Notes due 2024. (Incorporated by reference to the exhibit filed with the Registration Statement on Form S-3/A of Harrah's Entertainment, Inc., File No. 333-12566, filed July 1, 2005.)
 - *10.1 Purchase Agreement, dated May 19, 2005, among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., and the Initial Purchasers, as set forth therein, with respect to the 5.625% Senior Notes due 2015.
 - 10.2 Park Place Entertainment Corporation 1998 Stock Incentive Plan. (Incorporated by reference to the exhibit filed with the Registration Statement of Caesars Entertainment, Inc. on Form S-8, filed on December 22, 1998); and the 1998 Stock Incentive Plan, as amended May 11, 2001. (Incorporated by reference the exhibit filed with the Registration Statement of Caesars Entertainment, Inc. on Form S-8, filed on July 31, 2001.)
 - 10.3 Restated Park Place Entertainment Corporation Executive Deferred Compensation Plan as Restated and Amended effective January 1, 2000. (Incorporated by reference to the exhibit filed with Caesars Entertainment, Inc.'s Annual Report on Form 10-K, filed on March 18, 2002).

-
- 10.4 The Restated Park Place Entertainment Corporation Executive Deferred Compensation Plan, as restated and amended effective January 1, 2002. (Incorporated by reference to the exhibit filed with Caesars Entertainment, Inc.'s Annual Report on Form 10-K, filed on March 28, 2003.)
 - *31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated August 9, 2005.
 - *31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated August 9, 2005.
 - *32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated August 9, 2005.
 - *32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated August 9, 2005.

INDENTURE

between

PARK PLACE ENTERTAINMENT CORPORATION

and

NORWEST BANK MINNESOTA, N.A.,
as Trustee

Dated as of November 9, 1999

ARTICLE ONE **DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION**

Section 1.01. DEFINITIONS

Section 1.02. COMPLIANCE CERTIFICATES AND OPINIONS

Section 1.03. FORM OF DOCUMENTS DELIVERED TO TRUSTEE

Section 1.04. NOTICES, ETC., TO TRUSTEE AND COMPANY

Section 1.05. NOTICE TO HOLDERS; WAIVER

Section 1.06. CONFLICT WITH TRUST INDENTURE ACT

Section 1.07. COUNTERPARTS; EFFECT OF HEADINGS AND TABLE OF CONTENTS

Section 1.08. SUCCESSORS AND ASSIGNS

Section 1.09. SEPARABILITY CLAUSE

Section 1.10. BENEFITS OF INDENTURE

Section 1.11. GOVERNING LAW

Section 1.12. LEGAL HOLIDAYS

Section 1.13. NO RECOURSE AGAINST OTHERS

ARTICLE TWO **DEBT SECURITY FORMS**

Section 2.01. FORMS GENERALLY

Section 2.02. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Section 2.03. SECURITIES IN GLOBAL FORM

ARTICLE THREE **THE DEBT SECURITIES**

Section 3.01. AMOUNT UNLIMITED; ISSUABLE IN SERIES

Section 3.02. DENOMINATIONS

Section 3.03. EXECUTION, AUTHENTICATION, DELIVERY AND DATING

Section 3.04. TEMPORARY DEBT SECURITIES; EXCHANGE OF TEMPORARY GLOBAL NOTES FOR DEFINITIVE BEARER SECURITIES; GLOBAL NOTES REPRESENTING REGISTERED SECURITIES

[Section 3.05. REGISTRATION, TRANSFER AND EXCHANGE](#)

[Section 3.06. MUTILATED, DESTROYED, LOST AND STOLEN DEBT SECURITIES](#)

[Section 3.07. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED](#)

[Section 3.08. CANCELLATION](#)

[Section 3.09. COMPUTATION OF INTEREST](#)

[Section 3.10. CURRENCY OF PAYMENTS IN RESPECT OF DEBT SECURITIES](#)

[Section 3.11. JUDGMENTS](#)

[Section 3.12. EXCHANGE UPON DEFAULT](#)

[Section 3.13. MANDATORY DISPOSITION OF DEBT SECURITIES PURSUANT TO GAMING LAWS](#)

[Section 3.14. CUSIP NUMBERS](#)

ARTICLE FOUR SATISFACTION AND DISCHARGE

[Section 4.01. SATISFACTION AND DISCHARGE OF INDENTURE](#)

[Section 4.02. APPLICATION OF TRUST MONEY](#)

ARTICLE FIVE REMEDIES

[Section 5.01. EVENTS OF DEFAULT](#)

[Section 5.02. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT](#)

[Section 5.03. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE](#)

[Section 5.04. TRUSTEE MAY FILE PROOFS OF CLAIM](#)

[Section 5.05. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF DEBT SECURITIES](#)

[Section 5.06. APPLICATION OF MONEY COLLECTED](#)

[Section 5.07. LIMITATION ON SUITS](#)

[Section 5.08. UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST](#)

[Section 5.09. RESTORATION OF RIGHTS AND REMEDIES](#)

[Section 5.10. RIGHTS AND REMEDIES CUMULATIVE](#)

[Section 5.11. DELAY OR OMISSION NOT WAIVER](#)

[Section 5.12. CONTROL BY HOLDERS](#)

[Section 5.13. WAIVER OF PAST DEFAULTS](#)

[Section 5.14. UNDERTAKING FOR COSTS](#)

[Section 5.15. WAIVER OF STAY OR EXTENSION LAWS](#)

ARTICLE SIX THE TRUSTEE

[Section 6.01. CERTAIN DUTIES AND RESPONSIBILITIES](#)

[Section 6.02. NOTICE OF DEFAULTS](#)

[Section 6.03. CERTAIN RIGHTS OF TRUSTEE](#)

[Section 6.04. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF DEBT SECURITIES](#)

[Section 6.05. MAY HOLD DEBT SECURITIES](#)

[Section 6.06. MONEY HELD IN TRUST](#)

[Section 6.07. COMPENSATION AND REIMBURSEMENT](#)

[Section 6.08. DISQUALIFICATION; CONFLICTING INTERESTS](#)

[Section 6.09. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY](#)

[Section 6.10. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR](#)

[Section 6.11. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR](#)

[Section 6.12. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS](#)

[Section 6.13. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY](#)

[Section 6.14. APPOINTMENT OF AUTHENTICATING AGENT](#)

iii

[Section 6.15. TRUSTEE'S APPLICATION FOR INSTRUCTIONS FROM THE COMPANY](#)

ARTICLE SEVEN HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

[Section 7.01. COMPANY TO FURNISH TRUSTEE NAMES AND ADDRESSES OF HOLDERS](#)

[Section 7.02. PRESERVATION OF INFORMATION; COMMUNICATION TO HOLDERS](#)

[Section 7.03. REPORTS BY TRUSTEE](#)

[Section 7.04. REPORTS BY COMPANY](#)

ARTICLE EIGHT CONCERNING THE HOLDERS

[Section 8.01. ACTS OF HOLDERS](#)

[Section 8.02. PROOF OF OWNERSHIP; PROOF OF EXECUTION OF INSTRUMENTS BY HOLDER](#)

[Section 8.03. PERSONS DEEMED OWNERS](#)

[Section 8.04. REVOCATION OF CONSENTS; FUTURE HOLDERS BOUND](#)

ARTICLE NINE HOLDERS' MEETINGS

[Section 9.01. PURPOSES OF MEETINGS](#)

[Section 9.02. CALL OF MEETINGS BY TRUSTEE](#)

[Section 9.03. CALL OF MEETINGS BY COMPANY OR HOLDERS](#)

[Section 9.04. QUALIFICATIONS FOR VOTING](#)

[Section 9.05. REGULATIONS](#)

[Section 9.06. VOTING](#)

[Section 9.07. NO DELAY OF RIGHTS BY MEETING](#)

ARTICLE TEN MERGER, CONSOLIDATION, OR SALE OF ASSETS

[Section 10.01. COMPANY MAY CONSOLIDATE, MERGE OR SELL ITS ASSETS ONLY ON CERTAIN TERMS](#)

[Section 10.02. SUCCESSOR CORPORATION SUBSTITUTED](#)

iv

ARTICLE ELEVEN SUPPLEMENTAL INDENTURES

[Section 11.01. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS](#)

[Section 11.02. SUPPLEMENTAL INDENTURES WITH CONSENT OF HOLDERS](#)

[Section 11.03. EXECUTION OF SUPPLEMENTAL INDENTURES](#)

[Section 11.04. EFFECT OF SUPPLEMENTAL INDENTURES](#)

[Section 11.05. CONFORMITY WITH TRUST INDENTURE ACT](#)

[Section 11.06. REFERENCE IN DEBT SECURITIES TO SUPPLEMENTAL INDENTURES](#)

ARTICLE TWELVE COVENANTS

[Section 12.01. PAYMENT OF PRINCIPAL, PREMIUM AND INTEREST](#)

[Section 12.02. OFFICER'S CERTIFICATE AS TO COMPLIANCE](#)

[Section 12.03. MAINTENANCE OF OFFICE OR AGENCY](#)

[Section 12.04. MONEY FOR DEBT SECURITIES; PAYMENTS TO BE HELD IN TRUST](#)

[Section 12.05. CORPORATE EXISTENCE](#)

[Section 12.06. WAIVER OF CERTAIN COVENANTS](#)

ARTICLE THIRTEEN REDEMPTION OF DEBT SECURITIES

[Section 13.01. APPLICABILITY OF ARTICLE](#)

[Section 13.02. ELECTION TO REDEEM; NOTICE TO TRUSTEE](#)

[Section 13.03. SELECTION BY TRUSTEE OF DEBT SECURITIES TO BE REDEEMED](#)

[Section 13.04. NOTICE OF REDEMPTION](#)

[Section 13.05. DEPOSIT OF REDEMPTION PRICE](#)

[Section 13.06. DEBT SECURITIES PAYABLE ON REDEMPTION DATE](#)

[Section 13.07. DEBT SECURITIES REDEEMED IN PART](#)

v

ARTICLE FOURTEEN SINKING FUNDS

[Section 14.01. APPLICABILITY OF ARTICLE](#)

[Section 14.02. SATISFACTION OF MANDATORY SINKING FUND PAYMENTS WITH DEBT SECURITIES](#)

[Section 14.03. REDEMPTION OF DEBT SECURITIES FOR SINKING FUND](#)

ARTICLE FIFTEEN DEFEASANCE

[Section 15.01. APPLICABILITY OF ARTICLE](#)

[Section 15.02. DEFEASANCE UPON DEPOSIT OF MONEYS OR U.S. GOVERNMENT OBLIGATIONS](#)

[Section 15.03. DEPOSITED MONEYS AND U.S. GOVERNMENT OBLIGATIONS TO BE HELD IN TRUST](#)

[Section 15.04. REPAYMENT TO COMPANY](#)

ARTICLE SIXTEEN CONVERSION

[Section 16.01. APPLICABILITY; CONVERSION PRIVILEGE](#)

[Section 16.02. CONVERSION PROCEDURE; CONVERSION PRICE; FRACTIONAL SHARES](#)

[Section 16.03. ADJUSTMENT OF CONVERSION PRICE FOR COMMON STOCK](#)

[Section 16.04. CONSOLIDATION OR MERGER OF THE COMPANY](#)

[Section 16.05. NOTICE OF ADJUSTMENT](#)

[Section 16.06. NOTICE IN CERTAIN EVENTS](#)

[Section 16.07. COMPANY TO RESERVE STOCK; REGISTRATION; LISTING](#)

[Section 16.08. TAXES ON CONVERSION](#)

Exhibit A	==	Form of Redeemable or Nonredeemable Debt Security
Exhibit B	==	Form of Coupon
Exhibit C	==	Form of Certificate to be Given by Person Entitled to Receive Bearer Security or Interest Prior to an Exchange Date
Exhibit D	==	Form of Certificate to be Given by Euro-Clear and Cedel, S.A.

Reconciliation and tie between Trust Indenture Act of 1939
and Indenture, dated as of January , 1999

<u>TRUST INDENTURE ACT SECTION</u>	<u>INDENTURE SECTION</u>
Section 310 (a) (1)	6.09
(a) (2)	6.09
(a) (3)	Not Applicable
(a) (4)	Not Applicable
(a) (5)	6.09
(b)	6.08, 6.10
(c)	Not Applicable
Section 311 (a)	6.13(a)
(b)	6.13(b)
(c)	Not Applicable
Section 312 (a)	7.01, 7.02(a)
(b)	7.02(b)
(c)	7.02(c)
Section 313 (a)	7.03(a)
(b)	7.03(b)
(c)	7.03(a), 7.03(c)
(d)	7.03(d)
Section 314 (a)	7.04, 12.02
(b)	Not Applicable
(c) (1)	1.02
(c) (2)	1.02
(c) (3)	Not Applicable
(d)	Not Applicable
(e)	1.02
Section 315 (a)	6.01(a), 6.01(c)
(b)	6.02, 7.03(a)(7)
(c)	6.01(b)
(d) (1)	6.01(a)
(d) (2)	6.01(c)(2)
(d)(3)	6.01(c)(3)
(e)	5.14
Section 316 (a) (1) (A)	5.02, 5.12
(a) (1) (B)	5.13
(a) (2)	Not Applicable
(b)	5.08
(c)	Not Applicable
Section 317 (a) (1)	5.03
(a) (2)	5.04
(b)	12.04
Section 318	1.06

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

Attention should also be directed to Section 318(c) of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), which provides that the provisions of Sections 310 to and including 317 of the Trust Indenture Act are a part of and govern every qualified indenture, whether or not physically contained therein.

INDENTURE dated as of November 9, 1999 by and between PARK PLACE ENTERTAINMENT CORPORATION, a Delaware corporation (the "Company"), having its principal executive office at 3930 Howard Hughes Parkway, Las Vegas, Nevada 89109 and NORWEST BANK MINNESOTA, N.A. (the "Trustee"), having its Corporate Trust Office at Sixth and Marquette, Minneapolis, Minnesota 55479.

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its debentures, notes, bonds or other evidences of indebtedness (the "Debt Securities"), to be issued in one or more series, as provided in this Indenture.

This Indenture is subject to the provisions of the Trust Indenture Act of 1939, as amended, that are deemed incorporated into this Indenture and shall, to the extent applicable, be governed by such provisions.

All things necessary have been done to make this Indenture a valid agreement of the Company, in accordance with its terms.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of Debt Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of Debt Securities or of Debt Securities of any series, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. DEFINITIONS.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (1) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;
- (2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;
- (3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles or as provided with respect to any series of Debt Securities, and, except as otherwise herein provided or as provided with respect to any series of Debt Securities, the term "generally accepted accounting principles" or "GAAP" with respect to any computation required or permitted hereunder with respect to any series of Debt Securities, shall mean such as set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other

statements by such other entity as have been approved by a significant segment of the accounting profession which are in effect as of the date of determination; and

(4) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(5) certain terms, used principally in Article Three or Article Six, are defined in those respective Articles.

"Act" when used with respect to any Holder, has the meaning specified in Section 8.01.

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

"Authenticating Agent" has the meaning specified in Section 6.14.

"Authorized Newspaper" means a newspaper in an official language of the country of publication customarily published at least once a day, and customarily published for at least five days in each calendar week, and of general circulation in the place in connection with which the term is used or in the financial community of such place. Where successive publications are required to be made in Authorized Newspapers, the successive publications may be made in the same or in different newspapers in the same city meeting the foregoing requirements and in each case on any Business Day in such city.

"Bearer Security" means any Debt Security, in the form established pursuant to Section 2.01, which is payable to bearer.

"Board of Directors" means either the board of directors of the Company or any committee of that board or any other committee of the Company, duly authorized by the board of directors of the Company to act hereunder.

“Board Resolution” means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“Business Day” when used with respect to any Place of Payment or any other particular location referred to in this Indenture or in the Debt Securities means any day which is not a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies in that Place of Payment or other location are authorized or obligated by law to close, except as otherwise specified pursuant to Section 3.01.

“CEDEL” means Centrale de Livraison de Valeurs Mobilieres, S.A., or its successor.

“Closing Price” of the Common Stock shall mean the last reported sale price of such stock (regular way) as shown on the Composite Tape of the New York Stock Exchange or, in

case no such sale takes place on such day, the average of the closing bid and asked prices on the New York Stock Exchange.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commission” means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, as amended, or if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

“Common Depository” has the meaning specified in Section 3.04(b).

“Common Stock” shall mean the class of Common Stock, par value \$.01 per share, of the Company authorized at the date of this Indenture as originally signed, or any other class of stock resulting from successive changes or reclassifications of such Common Stock, and in any such case including any shares thereof authorized after the date of this Indenture, and any other shares of stock of the Company which do not have any priority in the payment of dividends or upon liquidation over any other class of stock.

“Company” means the Person named as the “Company” in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Company” shall mean such successor Person.

“Company Request” and “Company Order” mean, respectively, a written request or order signed in the name of the Company by the President or an Executive or Senior Vice President and by the Treasurer, an Assistant Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee.

“Component Currency” has the meaning specified in Section 3.10(i).

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

“Conversion Agent” means any Person authorized by the Company to receive Debt Securities to be converted into Common Stock on behalf of the Company. The Company initially authorizes the Trustee to act as Conversion Agent for the Debt Securities on its behalf. The Company may at any time or from time to time authorize one or more Persons to act as Conversion Agent in addition to or in place of the Trustee with respect to any series of Debt Securities issued under this Indenture.

“Conversion Date” has the meaning specified in Section 3.10(e).

“Conversion Event” means the cessation of (i) a Foreign Currency to be used both by the government of the country which issued such Currency and for the settlement of transactions by public institutions of or within the international banking community, (ii) the ECU to be used both within the European Monetary System and for the settlement of transactions by public institutions of or within the European Communities or (iii) any Currency unit other than the ECU to be used for the purposes for which it was established.

“Conversion Price” means, with respect to any series of Debt Securities which are convertible into Common Stock, the price per share of Common Stock at which the Debt Securities of such series are so convertible pursuant to Section 3.01 with respect to such series, as the same may be adjusted from time to time in accordance with Section 16.03.

“Corporate Trust Office” means the principal corporate trust office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at the date of execution of this instrument is located at Sixth and Marquette, Minneapolis, Minnesota 55479.

“corporation” means a corporation, association, company or business trust.

“Coupon” means any interest coupon appertaining to any Debt Security.

“Coupon Security” means any Bearer Security authenticated and delivered with one or more Coupons appertaining thereto.

“Currency” means Dollars or Foreign Currency.

“Currency Determination Agent” means the New York Clearing House bank, if any, from time to time selected by the Trustee for purposes of Section 3.10; PROVIDED that such agent shall accept such appointment in writing and the terms of such appointment shall be acceptable to the Company and shall, in the opinion of the Company and the Trustee at the time of such appointment, require such agent to make the determinations required by this Indenture by a method consistent with the method provided in this Indenture for the making of such decision or determination.

“Current Market Price” on any date shall mean the average of the daily Closing Prices per share of Common Stock for any thirty (30) consecutive Trading Days selected by the Company prior to the date in question, which thirty (30) consecutive Trading Day period shall not commence more than forty-five (45) Trading Days prior to the day in question; PROVIDED that with respect to Section 16.03(3), the “Current Market Price” of the Common Stock shall mean the average of the daily Closing Prices per share of Common Stock for the five (5) consecutive Trading Days ending on the date of the distribution referred to in Section 16.03(3) (or if such date shall not be a Trading Day, on the Trading Day immediately preceding such date).

“Debt Securities” has the meaning stated in the first recital of this Indenture and more particularly means any Debt Securities (including any Global Note) authenticated and delivered under this Indenture; PROVIDED, HOWEVER, that, if at any time there is more than one Person acting as Trustee under this Indenture, “Debt Securities” with respect to the Indenture as to which such Person is Trustee shall have the meaning stated in the first recital of this Indenture and shall more particularly mean Debt Securities authenticated and delivered under this

4

Indenture, exclusive, however, of Debt Securities of any series as to which such Person is not Trustee.

“Default” means any event that after notice or lapse of time, or both, would become an Event of Default.

“Defaulted Interest” has the meaning specified in Section 3.07(c).

“Discharged” has the meaning specified in Section 15.02.

“Discount Security” means any Debt Security which is issued with “original issue discount” within the meaning of Section 1273(a) of the Code (or any successor provision) and the regulations thereunder.

“Dollar” or “\$” means a dollar or other equivalent unit in such coin or currency of the United States that, at the time of payment, is legal tender for the payment of public and private debts.

“Dollar Equivalent of the Currency Unit” has the meaning specified in Section 3.10(h).

“Dollar Equivalent of the Foreign Currency” has the meaning specified in Section 3.10(g).

“ECU” means the European Currency Unit as defined and revised from time to time by the Council of the European Communities.

“Election Date” has the meaning specified in Section 3.10(i).

“Euro-clear Operator” means Morgan Guaranty Trust Company of New York, Brussels office, or its successor, as operator of the Euro-clear System.

“European Communities” means the European Economic Community, the European Coal and Steel Community and the European Atomic Energy Community.

“European Monetary System” means the European Monetary System established by the Resolution of December 5, 1978 of the Council of the European Communities.

“Event of Default” has the meaning specified in Section 5.01.

“Exchange Date” has the meaning specified in Section 3.04(b).

“Exchange Rate Officer’s Certificate” means a telex or a certificate setting forth (i) the applicable Market Exchange Rate and (ii) the Dollar, Foreign Currency or Currency unit amounts of principal, premium, if any, and any interest respectively (on an aggregate basis and on the basis of a Debt Security having the lowest denomination principal amount determined in accordance with Section 3.02 in the relevant Currency or Currency unit), payable on the basis of such Market Exchange Rate sent (in the case of a telex) or signed (in the case of a certificate) by the Treasurer or any Assistant Treasurer of the Company.

5

“Floating Rate Security” means a Debt Security which provides for the payment of interest at a variable rate determined periodically by reference to an interest rate index or any other index specified pursuant to Section 3.01.

“Foreign Currency” means a currency issued by the government of any country other than the United States or a composite currency or currency unit the value of which is determined by reference to the values of the currencies of any group of countries.

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

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

“Global Note” means a Registered or Bearer Security evidencing all or part of a series of Debt Securities, including, without limitation, any temporary or permanent Global Note.

“Holder” means, with respect to a Registered Security, the Registered Holder, and with respect to a Bearer Security or a Coupon, the bearer thereof.

“Indenture” means this instrument as originally executed, or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and, unless the context otherwise requires, shall include the terms of a particular series of Debt Securities as established pursuant to Section 3.01; PROVIDED, however, that, if at any time more than one Person is acting as Trustee under this instrument, “Indenture” shall mean, with respect to any one or more series of Debt Securities for which such Person is Trustee, this instrument as originally executed or as it may be supplemented or amended from time to time by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of the, or those, particular series of Debt Securities for which such Person is Trustee established as contemplated by Section 3.01, exclusive, however, of any provisions or terms which relate solely to other series of Debt Securities for which such Person is Trustee, regardless of when such terms or provisions were adopted, and exclusive of any provisions or terms adopted by means of one or more indentures supplemental hereto executed and delivered after such Person had become such Trustee but to which such Person, as such Trustee, was not a party.

“interest” when used with respect to a Discount Security which by its terms bears interest only on a certain date, means interest payable after such date, and, when used with respect to a Bearer Security, includes any additional amounts payable on such Bearer Security, if so provided pursuant to Section 3.01.

“Interest Payment Date” with respect to any Debt Security means the Stated Maturity of an installment of interest on such Debt Security.

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

6

“Market Exchange Rate” means (i) for any conversion involving a Currency unit on the one hand and Dollars or any Foreign Currency on the other, the exchange rate between the relevant Currency unit and Dollars or such Foreign Currency calculated by the method specified pursuant to Section 3.01 for the securities of the relevant series, (ii) for any conversion of Dollars into any Foreign Currency, the noon (New York City time) buying rate for such Foreign Currency for cable transfers quoted in New York City as certified for customs purposes by the Federal Reserve Bank of New York and (iii) for any conversion of one Foreign Currency into Dollars or another Foreign Currency, the spot rate at noon local time in the relevant market at which, in accordance with normal banking procedures, the Dollars or Foreign Currency into which conversion is being made could be purchased with the Foreign Currency from which conversion is being made from major banks located in either New York City, London or any other principal market for Dollars or such purchased Foreign Currency. In the event of the unavailability of any of the exchange rates provided for in the foregoing clauses (i), (ii) and (iii) the Currency Determination Agent, if any, or if there shall not be a Currency Determination Agent, then the Trustee, shall use, in its sole discretion and without liability on its part, such quotation of the Federal Reserve Bank of New York as of the most recent available date, or quotations from one or more major banks in New York City, London or other principal market for such Currency or Currency unit in question, or such other quotations as the Currency Determination Agent or the Trustee, as the case may be, shall deem appropriate. Unless otherwise specified by the Currency Determination Agent, if any, or if there shall not be a Currency Determination Agent, then by the Trustee, if there is more than one market for dealing in any Currency or Currency unit by reason of foreign exchange regulations or otherwise, the market to be used in respect of such Currency or Currency unit shall be that upon which a nonresident issuer of securities designated in such Currency or Currency unit would purchase such Currency or Currency unit in order to make payments in respect of such securities.

“Maturity” when used with respect to any Debt Security means the date on which the principal of such Debt Security or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption, repayment or repurchase at the option of the Holder thereof or otherwise.

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

“Officers’ Certificate” means a certificate signed by the President or an Executive or Senior Vice President and by the Treasurer, an Assistant Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of the Company and delivered to the Trustee.

“Opinion of Counsel” means a written opinion of counsel, who may be counsel to the Company (including an employee of the Company).

“Outstanding” when used with respect to Debt Securities, means, as of the date of determination, all Debt Securities theretofore authenticated and delivered under this Indenture, except:

- (i) Debt Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

7

(ii) Debt Securities for whose payment or redemption (including repayment at the option of the Holder) money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Debt Securities and any Coupons thereto pertaining; PROVIDED, HOWEVER, that if such Debt Securities are to be redeemed, then notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made and the date for such redemption has passed;

(iii) Debt Securities, except to the extent provided in Section 15.02, with respect to which the Company has effected defeasance as provided in Article Fifteen;

(iv) Debt Securities which have been paid pursuant to Section 3.06 or in exchange for or in lieu of which other Debt Securities have been authenticated and delivered pursuant to this Indenture, other than any such Debt Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Debt Securities are held by a bona fide purchaser in whose hands such Debt Securities are valid obligations of the Company; and

(v) Debt Securities converted into Common Stock or Preferred Stock pursuant to or in accordance with this Indenture;

PROVIDED, HOWEVER, that in determining whether the Holders of the requisite principal amount of Debt Securities Outstanding have performed any Act hereunder, Debt Securities owned by the Company or any other obligor upon the Debt Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding (PROVIDED, that in connection with any offer by the Company or any obligor to purchase Debt Securities, Debt Securities rendered by a Holder shall be Outstanding until the date of purchase), except that, in determining whether the Trustee shall be protected in relying upon any such Act, only Debt Securities which the Trustee knows to be so owned shall be so disregarded. Debt Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to act with respect to such Debt Securities and that the pledgee is not the Company or any other obligor upon the Debt Securities or any Affiliate of the Company or of such other obligor. In determining whether the Holders of the requisite principal amount of Outstanding Debt Securities have performed any Act hereunder, the principal amount of a Discount Security that shall be deemed to be Outstanding for such purpose shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.02 and the principal amount of a Debt Security denominated in a Foreign Currency that shall be deemed to be Outstanding for such purpose shall be the amount calculated pursuant to Section 3.10(k)

"Overdue Rate" when used with respect to any series of the Debt Securities, means the rate designated as such in or pursuant to the Board Resolution or the supplemental indenture, as the case may be, relating to such series as contemplated by Section 3.01.

"Paying Agent" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Debt Securities on behalf of the Company.

"permanent Global Note" shall have the meaning given such term in Section 3.04(b).

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

"Place of Payment" when used with respect to the Debt Securities of any series means the place or places where the principal of (and premium, if any) and interest on the Debt Securities of that series are payable as specified pursuant to Section 3.01.

"Predecessor Security" of any particular Debt Security means every previous Debt Security evidencing all or a portion of the same debt as that evidenced by such particular Debt Security; and, for the purposes of this definition, any Debt Security authenticated and delivered under Section 3.06 in lieu of a mutilated, lost, destroyed or stolen Debt Security or a Debt Security to which a mutilated, lost, destroyed or stolen Coupon appertains shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Debt Security or the Debt Security to which the mutilated, lost, destroyed or stolen Coupon appertains, as the case may be.

"Preferred Stock" means, with respect to any Person, all capital stock, if any, issued by such Person that is entitled to a preference or priority over any other capital stock issued by such Person with respect to any distribution of such Person's assets, whether by dividend or upon any voluntary or involuntary liquidation, dissolution or winding up.

"Redemption Date" means the date fixed for redemption of any Debt Security pursuant to this Indenture.

"Redemption Price" means, in the case of a Discount Security, the amount of the principal thereof that would be due and payable as of the Redemption Date upon a declaration of acceleration pursuant to Section 5.02, and in the case of any other Debt Security, the principal amount thereof, plus, in each case, premium, if any, and accrued and unpaid interest, if any, to the Redemption Date.

"Registered Holder" means the Person in whose name a Registered Security is registered in the Security Register.

"Registered Security" means any Debt Security in the form established pursuant to Section 2.01 which is registered as to principal and interest in the Security Register.

"Regular Record Date" for the interest payable on the Registered Securities of any series on any Interest Payment Date means the date specified for the purpose pursuant to Section 3.01 for such Interest Payment Date.

"Responsible Officer" when used with respect to the Trustee means any vice president, the secretary, any assistant secretary or any assistant vice president or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Special Record Date” for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.07(c).

“Specified Amount” has the meaning specified in Section 3.10(i).

“Stated Maturity” when used with respect to any Debt Security or any installment of principal thereof or premium thereon or interest thereon means the date specified in such Debt Security or the Coupon, if any, representing such installment of interest, as the date on which the principal of such Debt Security or such installment of principal, premium or interest is due and payable.

“Temporary Global Note” shall have the meaning given such term in Section 3.04(b).

“Trading Day” shall mean, with respect to the Common Stock, so long as the Common Stock is listed or admitted to trading on the New York Stock Exchange, a day on which the New York Stock Exchange is open for the transaction of business.

“Trustee” means the Person named as the “Trustee” in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Trustee” shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, then “Trustee” as used with respect to the Debt Securities of any series shall mean the Trustee with respect to Debt Securities of such series.

“Trust Indenture Act” means the Trust Indenture Act of 1939, as it may be amended from time to time.

“United States” means the United States of America (including the States and the District of Columbia), its territories and possessions and other areas subject to its jurisdiction.

“U.S. Depository” means a clearing agency registered under the Securities Exchange Act of 1934, as amended, or any successor thereto, which shall in either case be designated by the Company pursuant to Section 3.01 until a successor U.S. Depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “U.S. Depository” shall mean or include each Person who is then a U.S. Depository hereunder, and if at any time there is more than one such Person, then “U.S. Depository” as used with respect to the Debt Securities of any series shall mean the U.S. Depository with respect to the Debt Securities of that series.

“U.S. Government Obligations” has the meaning specified in Section 15.02.

“Valuation Date” has the meaning specified in Section 3.10(d).

“Vice President” includes, with respect to the Company, any Executive or Senior Vice President and includes, with respect to the Trustee, any Vice President, whether or not designated by a number or word or words added before or after the title “Vice President.”

Section 1.02. COMPLIANCE CERTIFICATES AND OPINIONS.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers’ Certificate stating

that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant PROVIDED for in this Indenture (other than certificates provided pursuant to Section 12.02) shall include:

- (1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (3) a statement that, in the opinion of each such individual, such individual has made such examination or investigation as is necessary to enable that individual to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 1.03. FORM OF DOCUMENTS DELIVERED TO TRUSTEE.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

11

Section 1.04. NOTICES, ETC., TO TRUSTEE AND COMPANY.

Any Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Department, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid or airmail postage prepaid if sent from outside the United States, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument, to the attention of its Treasurer, or at any other address previously furnished in writing to the Trustee by the Company.

Any such Act or other document shall be in the English language, except that any published notice may be in an official language of the country of publication.

Section 1.05. NOTICE TO HOLDERS; WAIVER.

When this Indenture provides for notice to Holders of any event, (1) such notice shall be sufficiently given to Registered Holders (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to such Registered Holders as their names and addresses appear in the Security Register, within the time prescribed, and (2) such notice shall be sufficiently given to Holders of Bearer Securities or Coupons (unless otherwise herein expressly provided) if published at least twice in an Authorized Newspaper or Newspapers in the City of New York and, if Debt Securities of such series are then listed on The Stock Exchange of the United Kingdom and the Republic of Ireland or the Luxembourg Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, in a daily newspaper in London or Luxembourg or in such other city or cities specified pursuant to Section 3.01 or in any Debt Security on Business Days, the first such publication to be not earlier than the earliest date and not later than two Business Days prior to the latest date prescribed for the giving of such notice; PROVIDED, HOWEVER, that, in any case, any notice to Holders of Floating Rate Securities regarding the determination of a periodic rate of interest, if such notice is required pursuant to Section 3.01, shall be sufficiently given if given in the manner specified pursuant to Section 3.01.

In the event of suspension of regular mail service or by reason of any other cause it shall be impracticable to give notice by mail, such notification as shall be given with the approval of the Trustee shall constitute sufficient notice for every purpose hereunder.

In the event of suspension of publication of any Authorized Newspapers or by reason of any other cause it shall be impracticable to give notice by publication, such notification as shall be given with the approval of the Trustee shall constitute sufficient notice for every purpose hereunder.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance on such

12

waiver. In any case where notice to Holders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Holder shall affect the sufficiency of such notice with respect to other Holders, and any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given. In any case where notice to Holders is given by publication, any defect in any notice so published as to any particular Holder shall not affect the sufficiency of such notice with respect to other Holders, and any notice which is published in the manner herein provided shall be conclusively presumed to have been duly given.

Section 1.06. CONFLICT WITH TRUST INDENTURE ACT.

If any provision hereof limits, qualifies or conflicts with the duties imposed on any person by the provisions of Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

Section 1.07. COUNTERPARTS; EFFECT OF HEADINGS AND TABLE OF CONTENTS.

This Indenture may be executed in any number of counterparts, each of which when executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Indenture. The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.08. SUCCESSORS AND ASSIGNS.

All covenants and agreements in this Indenture by the parties hereto shall bind their respective successors and assigns and inure to the benefit of their permitted successors and assigns, whether so expressed or not.

Section 1.09. SEPARABILITY CLAUSE.

In case any provision in this Indenture or in the Debt Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.10. BENEFITS OF INDENTURE.

Nothing in this Indenture or in the Debt Securities, express or implied, shall give to any Person, other than the parties hereto, any Security Registrar, any Paying Agent and their successors hereunder, and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 1.11. GOVERNING LAW.

This Indenture, the Debt Securities and the Coupons shall be deemed to be contracts made and to be performed entirely in the State of New York, and for all purposes shall be governed by and construed in accordance with the internal laws of said State without regard to the conflicts of law rules of said State.

13

Section 1.12. LEGAL HOLIDAYS.

Unless otherwise specified pursuant to Section 3.01 or in any Debt Security, in any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Debt Security of any series shall not be a Business Day at any Place of Payment for the Debt Securities of that series, then (notwithstanding any other provision of this Indenture or of the Debt Securities or Coupons) payment of principal (and premium, if any) or interest need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date, Redemption Date or at the Stated Maturity, and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, to such Business Day if such payment is made or duly provided for on such Business Day.

Section 1.13. NO RECOURSE AGAINST OTHERS.

No direct or indirect incorporator, employee, stockholder, director or officer, as such, past, present or future of the Company or any successor corporation or any of the Company's Affiliates, shall have any personal liability in respect of the obligations of the Company under the Debt Securities or this Indenture, either directly or through the Company, by reason of his, her or its status as such incorporator, stockholder, employee, director or officer. Each Holder by accepting a Debt Security waives and releases all such liability. Such waiver and release are part of the consideration for the issuance of the Debt Securities.

ARTICLE TWO

DEBT SECURITY FORMS

Section 2.01. FORMS GENERALLY.

The Debt Securities and the Coupons, if any, of each series shall be substantially in the forms of Exhibit A and B hereto, respectively, or in such other form as shall be established in or pursuant to a Board Resolution or one or more indentures supplemental hereto, and shall have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements placed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange on which any series of the Debt Securities may be listed, or to conform to usage, all as determined by the officers executing such Debt Securities and Coupons as conclusively evidenced by their execution of such Debt Securities and Coupons. If the form of Debt Securities or Coupons (or any Global Note) of any series is established in or pursuant to a Board Resolution, a copy of such Board Resolution shall be delivered to the Trustee, together with an Officers' Certificate setting forth the form of such series, at or prior to the delivery of the Company Order contemplated by Section 3.03 for the authentication and delivery of such Debt Securities (or any such Global Note) or Coupons.

Unless otherwise specified as contemplated by Section 3.01, Bearer Securities (other than in global form) shall have Coupons attached.

Subject to Section 3.04, the definitive Debt Securities and Coupons, if any, of each series shall be printed, lithographed or engraved or produced by any combination of these methods on steel

14

engraved borders or may be produced in any other manner, all as determined by the officers executing such Debt Securities and Coupons, as conclusively evidenced by their execution of such Debt Securities and Coupons.

Section 2.02. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

The form of the Trustee's certificate of authentication to be borne by the Debt Securities shall be substantially as follows:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

, as Trustee

By _____
Authorized Signatory

Section 2.03. SECURITIES IN GLOBAL FORM.

If any Debt Security of a series is issued as a Global Note, such Global Note may provide that it shall represent the aggregate amount of Outstanding Debt Securities from time to time endorsed thereon and may also provide that the aggregate amount of Outstanding Debt Securities represented thereby may from time to time be reduced to reflect exchanges. Any endorsement of a Global Note to reflect the amount, or any increase or decrease in the amount, of Outstanding Debt Securities represented thereby shall be made by the Trustee and in such manner as shall be specified in such Global Note. Any instructions by the Company with respect to a Global Note, after its initial issuance, shall be in writing but need not comply with Section 1.02.

Global Notes may be issued in either registered or bearer form and in either temporary or permanent form. Permanent Global Notes will be issued in definitive form.

Every Global Note authenticated and delivered hereunder shall bear a legend in substantially the following form:

THIS DEBT SECURITY IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS DEBT SECURITY MAY NOT BE TRANSFERRED TO, OR REGISTERED OR EXCHANGED FOR SECURITIES REGISTERED IN THE NAME OF, ANY PERSON OTHER THAN THE DEPOSITARY OR A NOMINEE THEREOF AND NO SUCH TRANSFER MAY BE REGISTERED, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE. EVERY DEBT SECURITY AUTHENTICATED AND DELIVERED UPON REGISTRATION OF TRANSFER OF, OR IN EXCHANGE FOR OR IN LIEU

15

OF, THIS DEBT SECURITY SHALL BE A GLOBAL NOTE SUBJECT TO THE FOREGOING, EXCEPT IN SUCH LIMITED CIRCUMSTANCES.

ARTICLE THREE

THE DEBT SECURITIES

Section 3.01. AMOUNT UNLIMITED; ISSUABLE IN SERIES.

The aggregate principal amount of Debt Securities which may be authenticated and delivered under this Indenture is unlimited.

The Debt Securities may be issued in one or more series. There shall be established in or pursuant to a Board Resolution and (subject to Section 3.03) set forth in an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Debt Securities of any series:

- (1) The title of the Debt Securities of the series (which shall distinguish the Debt Securities of such series from all other series of Debt Securities);
- (2) The aggregate principal amount of such series of Debt Securities and any limit on the aggregate principal amount of the Debt Securities of the series which may be authenticated and delivered under this Indenture (except for Debt Securities authenticated and delivered upon transfer of, or in exchange for, or in lieu of, other Debt Securities of such series pursuant to Sections 3.04, 3.05, 3.06, 11.06 or 13.07);
- (3) The percentage of the principal amount at which the Debt Securities of such series will be issued and, if other than the principal amount thereof, the portion of the principal amount thereof payable upon declaration of acceleration of the maturity or upon redemption thereof or the method by which such portion shall be determined;
- (4) The date or dates on which, or periods during which, the Debt Securities of the series may be issued, and the date or dates or the method by which such date or dates will be determined, on which the principal of (and premium, if any, on) the Debt Securities of such series are or may be payable (which, if so provided in such Board Resolution or supplemental indenture, may be determined by the Company from time to time as set forth in the Debt Securities of the series issued from time to time);
- (5) The rate or rates (which may be fixed or variable), at which the Debt Securities of the series shall bear interest, if any, or the method by which such rate or rates shall be determined, the date or dates from which such interest, if any, shall accrue or the method by which such date or dates shall be determined (which, in either case or both, if so provided in such Board Resolution or supplemental indenture, may be determined by the Company from time to time and set forth in the Debt Securities of the series issued from time to time) and the circumstances, if any, in which the Company may defer interest payments; and the Interest Payment Dates on which such interest shall be payable (or the method of determination thereof), and the Regular Record Dates, if any, for the interest payable on such Interest Payment Dates and the notice, if any, to Holders regarding the determination of interest, the manner of giving such notice, the basis upon which interest shall be calculated if other than that of a 360-day year of

16

twelve 30-day months and any conditions or contingencies as to the payment of interest in cash or otherwise, if any;

(6) The place or places, if any, in addition to or instead of the Corporate Trust Office of the Trustee (in the case of Registered Securities) or the principal London office of the Trustee (in the case of Bearer Securities), where the principal of (and premium, if any) and interest on Debt Securities of the series shall be payable and where such Debt Securities may be surrendered for conversion or registration of transfer or exchange; the extent to which, or the manner in which, any interest payable on any Global Note on an Interest Payment Date will be paid, if other than in the manner provided in Section 3.07; the extent, if any, to which the provisions of the last sentence of Section 12.01 shall apply to the Debt Securities of the series; and the manner in which any principal of, or premium, if any, on, any Global Note will be paid, if other than as set forth elsewhere herein and whether any Global Note will require any notation to evidence payment of principal or interest;

(7) The obligation, if any, of the Company to redeem, repay, purchase or offer to purchase Debt Securities of the series pursuant to any mandatory redemption, sinking fund or analogous provisions or upon other conditions or at the option of the Holder thereof and the period or periods within which or the dates on which, the prices at which and the terms and conditions upon which the Debt Securities of the series shall be redeemed, repaid, purchased or offered to be purchased, in whole or in part, pursuant to such obligation;

(8) The right, if any, of the Company to redeem the Debt Securities of such series at its option and the period or periods within which, or the date or dates on which, the price or prices at which, and the terms and conditions upon which, such Debt Securities may be redeemed, if any, in whole or in part, at the option of the Company or otherwise;

(9) If the coin or Currency in which the Debt Securities shall be issuable is in Dollars, the denominations of such Debt Securities if other than denominations of \$1,000 and any integral multiple thereof (except as provided in Section 3.04);

(10) Whether the Debt Securities of the series are to be issued as Discount Securities and the amount of discount with which such Debt Securities may be issued and, if other than the principal amount thereof, the portion of the principal amount of Debt Securities of the series which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 5.02;

(11) Additional provisions, if any, for the defeasance or discharge of certain of the Company's obligations with respect to Debt Securities of the series, which provisions may be in addition to, or in substitution for, or in modification of (or any combination of the foregoing), the provisions of the Indenture;

(12) Whether Debt Securities of the series are to be issued as Registered Securities or Bearer Securities or both, and, if Bearer Securities are issued, whether Coupons will be attached thereto, whether such Bearer Securities of the series may be exchanged for Registered Securities of the series, as provided in Section 3.05(b) or otherwise and the circumstances under which and the place or places at which any such exchanges, if permitted, may be made;

(13) Whether provisions for payment of additional amounts or tax redemptions shall apply and, if such provisions shall apply, such provisions; and, if Bearer Securities of the series

are to be issued, whether a procedure other than that set forth in Section 3.04(b) shall apply and, if so, such other procedure, and if the procedure set forth in Section 3.04(b) shall apply, the forms of certifications to be delivered under such procedure;

(14) If other than Dollars, the Foreign Currency or Currencies in which Debt Securities of the series shall be denominated or in which payment of the principal of (and premium, if any) and interest on the Debt Securities of the series may be made, and the particular provisions applicable thereto and, if applicable, the amount of Debt Securities of the series which entitles the Holder of a Debt Security of the series or its proxy to one vote for purposes of Section 9.05;

(15) If the principal of (and premium, if any) or interest on Debt Securities of the series are to be payable, at the election of the Company or a Holder thereof, in a Currency other than that in which the Debt Securities are denominated or payable without such election, in addition to or in lieu of the provisions of Section 3.10, the period or periods within which and the terms and conditions upon which, such election may be made and the time and the manner of determining the exchange rate or rates between the Currency or Currencies in which the Debt Securities are denominated or payable without such election and the Currency or Currencies in which the Debt Securities are to be paid if such election is made;

(16) The date as of which any Debt Securities of the series shall be dated, if other than as set forth in Section 3.03;

(17) If the amount of payments of principal of (and premium, if any) or interest on the Debt Securities of the series may be determined with reference to an index, including, but not limited to, an index based on a Currency or Currencies other than that in which the Debt Securities are denominated or payable, or any other type of index, the manner in which such amounts shall be determined;

(18) If the Debt Securities of the series are denominated or payable in a Foreign Currency, any other terms concerning the payment of principal of (and premium, if any) or any interest on such Debt Securities (including the Currency or Currencies of payment thereof);

(19) The designation of the original Currency Determination Agent, if any;

(20) The applicable Overdue Rate, if any;

(21) If the Debt Securities of the series do not bear interest, the applicable dates for purposes of Section 7.01;

(22) Any addition to, or modification or deletion of, any Event of Default or covenant provided for in this Indenture with respect to Debt Securities of the series;

(23) If Bearer Securities of the series are to be issued, (x) whether interest in respect of any portion of a temporary Debt Security in global form (representing all of the Outstanding Bearer Securities of the series) payable in respect of any Interest Payment Date prior to the exchange of such temporary Debt Security for definitive Debt Securities of the series shall be paid to any clearing organization with respect to the portion of such temporary Debt Security held for its account and, in such event, the terms and conditions (including any certification requirements) upon which any such interest payment received by a clearing organization will be

credited to the Persons entitled to interest payable on such Interest Payment Date, (y) the terms upon which interests in such temporary Debt Security in global form may be exchanged for interests in a permanent Global Note or for definitive Debt Securities of the series and the terms upon which interests in a permanent Global Note, if any, may be exchanged for definitive Debt Securities of the series and (z) the cities and the Authorized Newspapers designated for the purposes of giving notices to Holders;

(24) Whether the Debt Securities of the series shall be issued in whole or in part in the form of one or more Global Notes and, in such case, the U.S. Depository or any Common Depository for such Global Note or Notes; and if the Debt Securities of the series are issuable only as Registered Securities, the manner in which and the circumstances under which Global Notes representing Debt Securities of the series may be exchanged for Registered Securities in definitive form, if other than, or in addition to, the manner and circumstances specified in Section 3.04(c);

(25) The designation, if any, of any depositaries, trustees (other than the Trustee), Paying Agents, Authenticating Agents, Conversion Agents, Security Registrars (other than the Trustee) or other agents with respect to the Debt Securities of such series;

(26) If the Debt Securities of such series will be issuable in definitive form only upon receipt of certain certificates or other documents or upon satisfaction of certain conditions, the form and terms of such certificates, documents or conditions;

(27) Whether the Debt Securities of such series will be convertible into shares of Common Stock or other securities or property of the Company, and, if so, the terms and conditions, which may be in addition to or in lieu of the provisions contained in this Indenture, upon which such Debt Securities will be so convertible, including the conversion price and the conversion period;

(28) The portion of the principal amount of the Debt Securities which will be payable upon declaration of acceleration of the maturity thereof, if other than the principal amount thereof;

(29) The terms, if any, on which the Debt Securities of such series will be subordinate to other debt of the Company;

(30) Any listing of the Debt Securities on a securities exchange;

(31) The provisions, if any, relating to any security provided for the Debt Securities of such series; and

(32) Any other terms of the series (which terms shall not be inconsistent with the provisions of this Indenture).

All Debt Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be provided in or pursuant to such Board Resolution and (subject to Section 3.03) set forth in such Officers' Certificate, or in any such indenture supplemental hereto. All Debt Securities of any one series need not be issued at the same time, and unless otherwise PROVIDED, a series may be reopened for issuance of additional Debt Securities of such series.

If any of the terms of a series of Debt Securities is established in or pursuant to a Board Resolution, a copy of such Board Resolution shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series.

Section 3.02. DENOMINATIONS.

In the absence of any specification pursuant to Section 3.01 with respect to the Debt Securities of any series, the Debt Securities of such series shall be issuable only as Registered Securities in denominations of \$1,000 and any integral multiple thereof and shall be payable only in Dollars.

Section 3.03. EXECUTION, AUTHENTICATION, DELIVERY AND DATING.

The Debt Securities and the Coupons, if any, of any series shall be executed on behalf of the Company by its President, one of its Executive or Senior Vice Presidents or its Treasurer, under its corporate seal reproduced thereon and attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers may be manual or facsimile.

Debt Securities and Coupons bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Debt Securities and Coupons or did not hold such offices at the date of such Debt Securities and Coupons.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Debt Securities, with appropriate Coupons, if any, of any series, executed by the Company, to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Debt Securities and Coupons and the Trustee in accordance with the Company Order shall authenticate and make available for delivery such Debt Securities and Coupons; PROVIDED, HOWEVER, that, in connection with its sale during the "restricted period" (as defined in Section 1.163-5(c)(2)(i)(D)(7) of the United States Treasury Regulations), no Bearer Security shall be mailed or otherwise delivered to any location in the United States; and PROVIDED, FURTHER, that a Bearer Security (other than a temporary Global Note in bearer form) may be delivered outside the United States in connection with its original issuance only if the Person entitled to receive such Bearer Security shall have furnished to the Euro-clear operator or to CEDEL a certificate

substantially in the form set forth in Exhibit C to this Indenture. If all the Debt Securities of any one series are not to be issued at one time and if a Board Resolution or supplemental indenture relating to such series shall so permit, such Company Order may set forth procedures acceptable to the Trustee for the issuance of such Debt Securities such as interest rate, Stated Maturity, date of issuance and date from which interest, if any, shall accrue. If any Debt Security shall be represented by a permanent Global Note, then, for purposes of this Section and Section 3.04, the notation of a beneficial owner's interest therein upon original issuance of such Debt Security or upon exchange of a portion of a temporary Global Note shall be deemed to be delivery in connection with the original issuance of such beneficial owner's interest in such permanent Global Note. Except as permitted by Section 3.06 or 3.07, the Trustee shall not authenticate and make available for delivery any Bearer Security unless all Coupons for interest then matured have been detached and canceled.

The Trustee shall be entitled to receive, and (subject to Section 6.01) shall be fully protected in relying upon, prior to the authentication and delivery of the Debt Securities and Coupons of such series, (i) the supplemental indenture or the Board Resolution by or pursuant to which the form and

20

terms of such Debt Securities and Coupons have been approved, (ii) an Officers' Certificate stating that all conditions precedent provided for in the Indenture have been complied with and that, to the best knowledge of the signers of such certificates, no Event of Default with respect to any of the Debt Securities shall have occurred and be continuing and (iii) an Opinion of Counsel substantially to the effect that:

(1) the forms and terms of such Debt Securities and Coupons, if any, have been established in conformity with the provisions of this Indenture; and

(2) such Debt Securities and Coupons, if any, when completed by appropriate insertions and executed and delivered by the Company to the Trustee in accordance with the Indenture, authenticated and delivered by the Trustee in accordance with this Indenture and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to applicable bankruptcy, insolvency, fraudulent transfer and similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

The Trustee shall not be required to authenticate such Debt Securities and Coupons if the issuance of such Debt Securities and Coupons pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Debt Securities and this Indenture in a manner which is not reasonably acceptable to the Trustee.

Each Registered Security shall be dated the date of its authentication. Each Bearer Security (including any temporary or permanent or other definitive Bearer Security in global form) shall be dated as of the date of original issuance of the first Debt Security of such series to be issued, except as otherwise provided pursuant to Section 3.01 with respect to the Bearer Securities of any series.

No Debt Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Debt Security a certificate of authentication substantially in one of the forms provided for herein duly executed by the Trustee or by an Authenticating Agent, and such certificate upon any Debt Security shall be conclusive evidence, and the only evidence, that such Debt Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture. Notwithstanding the foregoing, if any Debt Security shall have been duly authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Debt Security to the Trustee for cancellation as provided in Section 3.08 together with a written statement (which need not comply with Section 1.02) stating that such Debt Security has never been issued and sold by the Company, for all purposes of this Indenture such Debt Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

Section 3.04. TEMPORARY DEBT SECURITIES; EXCHANGE OF TEMPORARY GLOBAL NOTES FOR DEFINITIVE BEARER SECURITIES; GLOBAL NOTES REPRESENTING REGISTERED SECURITIES.

(a) Pending the preparation of definitive Registered Securities of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Registered Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination for Registered Securities of such series, substantially of the tenor of the definitive Registered Securities in lieu of which they are issued and with such appropriate insertions,

21

omissions, substitutions and other variations as the officers executing such Registered Securities may determine, as conclusively evidenced by their execution of such Registered Securities. Every such temporary Registered Security shall be executed by the Company and shall be authenticated and made available for delivery by the Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the definitive Registered Securities in lieu of which they are issued. In the case of any series issuable as Bearer Securities, such temporary Debt Securities may be in global form, representing such of the Outstanding Debt Securities of such series as shall be specified therein.

Except in the case of temporary Debt Securities in global form (which shall be exchanged in accordance with the provisions of the following paragraphs), if temporary Debt Securities of any series are issued, the Company will cause definitive Debt Securities of such series to be prepared without unreasonable delay. After the preparation of definitive Debt Securities of such series, the temporary Debt Securities of such series shall be exchangeable for definitive Debt Securities of such series, of a like Stated Maturity and with like terms and provisions, upon surrender of the temporary Debt Securities of such series at the office or agency of the Company in a Place of Payment for such series, without charge to the Holder, except as provided in Section 3.05 in connection with a transfer. Upon surrender for cancellation of any one or more temporary Debt Securities of any series (accompanied by any unmatured Coupons), the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Debt Securities of the same series of authorized denominations and of a like Stated Maturity and like terms and provisions; PROVIDED, HOWEVER, that no definitive Bearer Security shall be delivered in exchange for a temporary Registered Security; and PROVIDED, FURTHER, that a definitive Bearer Security (including a permanent Bearer Security in global form) shall be delivered in exchange for a temporary Bearer Security only in compliance with the conditions set forth in Section 3.03. Until so exchanged, the temporary Registered Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Registered Securities of such series.

(b) Unless otherwise specified pursuant to Section 3.01, all Bearer Securities of a series shall be initially issued in the form of a single temporary Bearer Security in global form (a “temporary Global Note”). The Company shall execute, and upon Company Order the Trustee shall authenticate, any temporary Global Note and any permanent Bearer Security in global form (as described below, a “permanent Global Note”) upon the same conditions and in substantially the same manner, and with the same effect, as definitive Bearer Securities, and the temporary or permanent Global Note, as the case may be, shall, unless otherwise specified therein, be delivered by the Trustee to the London office of a depository or common depository (the “Common Depository”), for the benefit of the Euro-clear Operator or CEDEL, as the case may be, for credit to the account of the Company (in the case of sales of Bearer Securities by the Company directly to investors) or the managing underwriter (in the case of sales of Bearer Securities by the Company to underwriters) or such other accounts as the Company or the managing underwriter, respectively, may direct.

On or after the date specified in or determined pursuant to the terms of any temporary Global Note which (subject to any applicable laws and regulations) shall be at least 40 days after the issue date of a temporary Global Note (the “Exchange Date”), the Debt Securities represented by such temporary Global Note may be exchanged for definitive Debt Securities (subject to the second succeeding paragraph) or Debt Securities to be represented thereafter by one or more permanent Global Notes in definitive form without interest coupons. On or after the Exchange Date such temporary Global Note shall be surrendered by the Common Depository to the Trustee, as the Company’s agent for such purpose, at its principal office in London (or at such other place specified outside the United States pursuant to Section 3.01) and following such surrender, the Trustee shall (1) endorse the temporary Global Note to reflect the reduction of its principal amount by an equal aggregate principal amount of

22

such Debt Security, (2) endorse the applicable permanent Global Note, if any, to reflect the initial amount, or an increase in the amount of Debt Securities represented thereby, (3) manually authenticate such definitive Debt Securities (including any permanent Global Note), (4) make available for delivery such definitive Debt Securities to the Holder thereof or, if such definitive Debt Security is a permanent Global Note, make available for delivery such permanent Global Note to the Common Depository to be held outside the United States for the accounts of the Euro-clear Operator or CEDEL, as the case may be, for credit to the respective accounts at Euro-clear Operator or CEDEL, as the case may be, designated by or on behalf of the beneficial owners of such Debt Securities (or to such other accounts as they may direct) and (5) make available for redelivery such temporary Global Note to the Common Depository, unless such temporary Global Note shall have been canceled in accordance with Section 3.08 hereof; PROVIDED, HOWEVER, that, unless otherwise specified in such temporary Global Note, upon such presentation by the Common Depository, such temporary Global Note shall be accompanied by a certificate dated the Exchange Date or a subsequent date and signed by the Euro-clear Operator, as to the portion of such temporary Global Note held for its account then to be exchanged for definitive Debt Securities (including any permanent Global Note), and a certificate dated the Exchange Date or a subsequent date and signed by CEDEL, as to the portion of such temporary Global Note held for its account then to be exchanged for definitive Debt Securities (including any permanent Global Note), each substantially in the form set forth in Exhibit D to this Indenture. Each certificate substantially in the form of Exhibit D hereto of the Euro-clear Operator or CEDEL, as the case may be, shall be based on certificates of the account holders listed in the records of the Euro-clear Operator or CEDEL, as the case may be, as being entitled to all or any portion of the applicable temporary Global Note. An account holder of the Euro-clear Operator or CEDEL, as the case may be, desiring to effect the exchange of an interest in a temporary Global Note for an interest in definitive Debt Securities (including any permanent Global Note) shall instruct the Euro-clear Operator or CEDEL, as the case may be, to request such exchange on its behalf and shall deliver to the Euro-clear Operator or CEDEL, as the case may be, a certificate substantially in the form of Exhibit C hereto and dated no earlier than 10 days prior to the Exchange Date. Until so exchanged, temporary Global Notes shall in all respects be entitled to the same benefits under this Indenture as definitive Debt Securities (including any permanent Global Note) of the same series authenticated and delivered hereunder, except as to payment of interest, if any.

The delivery to the Trustee by the Euro-clear Operator or CEDEL of any certificate substantially in the form of Exhibit D hereto may be relied upon by the Company and the Trustee as conclusive evidence that a corresponding certificate or certificates has or have been delivered to the Euro-clear Operator or CEDEL, as the case may be, pursuant to the terms of this Indenture.

On or prior to the Exchange Date, the Company shall deliver to the Trustee definitive Debt Securities in an aggregate principal amount equal to the principal amount of such temporary Global Note, executed by the Company. At any time, on or after the Exchange Date, upon 30 days’ notice to the Trustee by the Euro-clear Operator or CEDEL, as the case may be, acting at the request of or on behalf of the beneficial owner, a Debt Security represented by a temporary Global Note or a permanent Global Note, as the case may be, may be exchanged, in whole or from time to time in part, for definitive Debt Securities without charge and the Trustee shall authenticate and make available for delivery, in exchange for each portion of such temporary Global Note or such permanent Global Note, an equal aggregate principal amount of definitive Debt Securities of the same series of authorized denominations and of a like Stated Maturity and with like terms and conditions, as the portion of such temporary Global Note or such permanent Global Note to be exchanged, which, unless the Debt Securities of the series are not issuable both as Bearer Securities and as Registered Securities, as contemplated by Section 3.01, shall be in the form of Bearer Securities or Registered Securities, or any combination thereof, as shall be specified by the beneficial owner thereof; PROVIDED, HOWEVER, that definitive Bearer Securities shall be delivered in exchange for a portion of the temporary Global Note or the permanent Global Note

23

only in compliance with the requirements of the second preceding paragraph. On or prior to the forty-fifth day following receipt by the Trustee of such notice with respect to a Debt Security, or, if such day is not a Business Day, the next succeeding Business Day, the temporary Global Note or the permanent Global Note, as the case may be, shall be surrendered by the Common Depository to the Trustee, as the Company’s agent for such purpose, to be exchanged, in whole or from time to time in part, for definitive Debt Securities without charge following such surrender, upon the request of the Euro-clear Operator or CEDEL, as the case may be, and the Trustee shall (1) endorse the applicable temporary Global Note or the permanent Global Note to reflect the reduction of its principal amount by the aggregate principal amount of such Debt Security, (2) cause the terms of such Debt Security and Coupons, if any, to be entered on a definitive Debt Security, (3) manually authenticate such definitive Debt Security, and (4) if a Bearer Security is to be delivered, deliver such definitive Debt Security outside the United States to the Euro-clear Operator or CEDEL, as the case may be, for or on behalf of the beneficial owner thereof, in exchange for a portion of such temporary Global Note or the permanent Global Note.

Unless otherwise specified in such temporary Global Note or the permanent Global Note, any such exchange shall be made free of charge to the beneficial owners of such temporary Global Note or the permanent Global Note, except that a Person receiving definitive Debt Securities must bear the cost of insurance, postage, transportation and the like in the event that such Person does not take delivery of such definitive Debt Securities in person at the offices of the Euro-clear Operator or CEDEL. Definitive Debt Securities in bearer form to be delivered in exchange for any portion of a temporary Global

Note or the permanent Global Note shall be delivered only outside the United States. Notwithstanding the foregoing, in the event of redemption or acceleration of all or any part of a temporary Global Note prior to the Exchange Date, a permanent Global Note or definitive Bearer Securities, as the case may be, will not be issuable in respect of such temporary Global Note or such portion thereof, and payment thereon will instead be made as provided in such temporary Global Note.

Until exchanged in full as hereinabove provided, any temporary Global Note or the permanent Global Note shall in all respects be entitled to the same benefits under this Indenture as definitive Debt Securities of the same series and tenor authenticated and delivered hereunder, except that, unless otherwise specified as contemplated by Section 3.01, interest payable on such temporary Global Note on an Interest Payment Date for Debt Securities of such series occurring prior to the applicable Exchange Date shall be payable to the Euro-clear Operator or CEDEL on such Interest Payment Date upon delivery by the Euro-clear Operator or CEDEL to the Trustee of a certificate or certificates substantially in the form set forth in Exhibit D to this Indenture, for credit without further interest on or after such Interest Payment Date to the respective accounts of the Persons who are the beneficial owners of such temporary Global Note on such Interest Payment Date and who have each delivered to the Euro-clear Operator or CEDEL, as the case may be, a certificate substantially in the form set forth in Exhibit C to this Indenture.

Any definitive Bearer Security authenticated and make available for delivery by the Trustee in exchange for a portion of a temporary Global Note or the permanent Global Note shall not bear a coupon for any interest which shall theretofore have been duly paid by the Trustee to the Euro-clear Operator or CEDEL, or by the Company to the Trustee in accordance with the provisions of this Section 3.04.

With respect to Exhibits C and D to this Indenture, the Company may, in its discretion and if required or desirable under applicable law or as set forth in any Board Resolution or supplemental indenture with respect to any series of Debt Securities, substitute one or more other forms of such exhibits for such exhibits, eliminate the requirement that any or all certificates be provided, or change the time that any certificate may be required, provided that such substitute form or forms or notice of

24

elimination or change of such certification requirement have theretofore been delivered to the Trustee with a Company Request and such form or forms, elimination or change is reasonably acceptable to the Trustee.

(c) If the Company shall establish pursuant to Section 3.01 that the Registered Securities of a series are to be issued in whole or in part in the form of one or more Global Notes, then the Company shall execute and the Trustee shall, in accordance with Section 3.03 and the Company Order with respect to such series, authenticate and make available for delivery one or more Global Notes in temporary or permanent form that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of the Outstanding Debt Securities of such series to be represented by one or more Global Notes, (ii) shall be registered in the name of the U.S. Depository for such Global Note or Notes or the nominee of such depository, and (iii) shall bear a legend substantially as set forth in Section 2.03.

Notwithstanding any other provision of this Section or Section 3.05, unless and until it is exchanged in whole or in part for Registered Securities in definitive form, a Global Note representing all or a portion of the Registered Securities of a series may not be transferred except as a whole by the U.S. Depository for such series to a nominee of such depository or by a nominee of such depository to such depository or another nominee of such depository or by such depository or any such nominee to a successor U.S. Depository for such series or a nominee of such successor depository.

If at any time the U.S. Depository for the Debt Securities of a series notifies the Company that it is unwilling or unable to continue as U.S. Depository for the Debt Securities of such series or if at any time the U.S. Depository for Debt Securities of a series shall no longer be a clearing agency registered and in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, the Company shall appoint a successor U.S. Depository with respect to the Debt Securities of such series. If a successor U.S. Depository for the Debt Securities of such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such condition, the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Debt Securities of such series, will authenticate and make available for delivery, Registered Securities of such series in definitive form in an aggregate principal amount equal to the principal amount of the Global Note or Notes representing such series in exchange for such Global Note or Notes.

The Company may at any time and in its sole discretion determine that the Registered Securities of any series issued in the form of one or more Global Notes shall no longer be represented by such Global Note or Notes. In such event, the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Debt Securities of such series, will authenticate and make available for delivery, Registered Securities of such series in definitive form and in an aggregate principal amount equal to the principal amount of the Global Note or Notes representing such series in exchange for such Global Note or Notes.

If the Registered Securities of any series shall have been issued in the form of one or more Global Notes and if an Event of Default with respect to the Debt Securities of such series shall have occurred and be continuing, the Company will promptly execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Debt Securities of such series, will authenticate and make available for delivery, Registered Securities of such series in definitive form and in an aggregate principal amount equal to the principal amount of the Global Note or Notes representing such series in exchange for such Global Note or Notes.

25

If specified by the Company pursuant to Section 3.01 with respect to Registered Securities of a series, the U.S. Depository for such series of Registered Securities may surrender a Global Note for such series of Debt Securities in exchange in whole or in part for Registered Securities of such series in definitive form on such terms as are acceptable to the Company and such depository. Thereupon, the Company shall execute and the Trustee shall authenticate and make available for delivery, without charge:

(i) to each Person specified by the U.S. Depository a new Registered Security or Securities of the same series, of any authorized denomination as requested by such Person in an aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Global Note; and

(ii) to the U.S. Depository a new Global Note in a denomination equal to the difference, if any, between the principal amount of the surrendered Global Note and the aggregate principal amount of Registered Securities delivered to Holders thereof.

Upon the exchange of a Global Note for Registered Securities in definitive form, such Global Note shall be canceled by the Trustee. Debt Securities issued in exchange for a Global Note pursuant to this subsection (c) shall be registered in such names and in such authorized denominations as the U.S. Depository for such Global Note, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall make available for delivery such Debt Securities to the Persons in whose names such Debt Securities are so registered.

Section 3.05. REGISTRATION, TRANSFER AND EXCHANGE.

(a) The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the registers maintained in such office and in any other office or agency of the Company in a Place of Payment being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Registered Securities and of transfers and exchanges of Registered Securities. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Registered Securities and registering transfers and exchanges of Registered Securities as herein provided; PROVIDED, HOWEVER, that the Company may appoint co-Security Registrars or the terms of any series of Debt Securities may provide otherwise.

Upon surrender for registration of transfer of any Registered Security of any series at the office or agency of the Company maintained for such purpose, the Company shall execute, and the Trustee shall authenticate and make available for delivery, in the name of the designated transferee, one or more new Registered Securities of the same series of like aggregate principal amount of such denominations as are authorized for Registered Securities of such series and of a like Stated Maturity and with like terms and conditions.

Except as otherwise provided in Section 3.04 and this Section 3.05, at the option of the Holder, Registered Securities of any series may be exchanged for other Registered Securities of the same series of like aggregate principal amount and of a like Stated Maturity and with like terms and conditions, upon surrender of the Registered Securities to be exchanged at such office or agency. Whenever any Registered Securities are surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and make available for delivery, the Registered Securities which the Holder making the exchange is entitled to receive.

26

(b) If and to the extent specified pursuant to Section 3.01, the provisions of this Section 3.05(b) shall be applicable to Debt Securities of any series which are Bearer Securities. At the option of the Holder thereof, to the extent permitted by law, any Bearer Security of any series which by its terms is registrable as to principal and interest may be exchanged for a Registered Security of such series of like aggregate principal amount and of a like Stated Maturity and with like terms and conditions upon surrender of such Bearer Security at the Corporate Trust Office or at any other office or agency of the Company designated pursuant to Section 3.01 for the purpose of making any such exchanges. Any Coupon Security surrendered for exchange shall be surrendered with all unmatured Coupons and any matured Coupons in default attached thereto. If the Holder of a Bearer Security is unable to produce any such unmatured Coupon or Coupons or matured Coupon or Coupons in default, such exchange may be effected if the Bearer Securities are accompanied by payment in funds acceptable to the Company in an amount equal to the face amount of such missing Coupon or Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company and the Trustee if there is furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Bearer Security shall surrender to any Paying Agent any such missing Coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment; PROVIDED, HOWEVER, that except as otherwise provided in Section 12.03, interest represented by Coupons shall be payable only upon presentation and surrender of those Coupons at an office or agency located outside the United States. Notwithstanding the foregoing, in case a Bearer Security of any series is surrendered at any such office or agency in exchange for a Registered Security of the same series and of a like Stated Maturity and with like terms and conditions after the close of business at such office or agency on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the Coupon relating to such Interest Payment Date or proposed date for payment, as the case may be (or, if such Coupon is so surrendered with such Bearer Security, such Coupon shall be returned to the Person so surrendering the Bearer Security), and interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture. The Company shall execute, and the Trustee shall authenticate and make available for delivery, the Registered Security or Securities which the Holder making the exchange is entitled to receive.

Notwithstanding the foregoing, the exchange of Bearer Securities for Registered Securities will be subject to the provisions of United States Federal income tax laws and regulations applicable to Debt Securities in effect at the time of such exchange.

(c) Except as otherwise specified pursuant to Section 3.01, in no event may Registered Securities, including Registered Securities received in exchange for Bearer Securities, be exchanged for Bearer Securities.

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

Every Registered Security presented or surrendered for transfer or exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar, duly executed, by the Holder thereof or his or her attorney duly authorized in writing.

27

No service charge will be made for any transfer or exchange of Debt Securities except as PROVIDED in Section 3.04(b) or 3.06. The Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration, transfer or exchange of Debt Securities, other than those expressly provided in this Indenture to be made at the Company's own expense or without expense or without charge to the Holders.

The Company shall not be required (i) to register, transfer or exchange Debt Securities of any series during a period beginning at the opening of business 15 days before the day of the transmission of a notice of redemption of Debt Securities of such series selected for redemption under Section 13.03 and ending at the close of business on the day of such transmission, or (ii) to register, transfer or exchange any Debt Security so selected for redemption in whole or in part, except the unredeemed portion of any Debt Security being redeemed in part.

Section 3.06. MUTILATED, DESTROYED, LOST AND STOLEN DEBT SECURITIES.

If (i) any mutilated Debt Security or any mutilated Coupon with the Coupon Security to which it appertains (and all unmatured Coupons attached thereto) is surrendered to the Trustee at its Corporate Trust Office (in the case of Registered Securities) or at its principal London office (in the case of Bearer Securities), or (ii) the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Debt Security or any Coupon, and there is delivered to the Company and the Trustee such security or indemnity as may be required by them to save each of them and any Paying Agent harmless, and neither the Company nor the Trustee receives notice that such Debt Security or Coupon has been acquired by a bona fide purchaser, then the Company shall execute and upon Company Request the Trustee shall authenticate and make available for delivery, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Debt Security or in exchange for the Coupon Security to which such mutilated, destroyed, lost or stolen Coupon appertained, a new Debt Security of the same series of like Stated Maturity and with like terms and conditions and like principal amount, bearing a number not contemporaneously Outstanding, and, in the case of a Coupon Security, with such Coupons attached thereto that neither gain nor loss in interest shall result from such exchange or substitution.

In case any such mutilated, destroyed, lost or stolen Debt Security or Coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Debt Security, pay the amount due on such Debt Security or Coupon in accordance with its terms; PROVIDED, HOWEVER, that principal of (and premium, if any) and any interest on Bearer Securities shall, except as otherwise provided in Section 12.03, be payable only at an office or agency located outside the United States and, unless otherwise specified as contemplated by Section 3.01 or except as otherwise provided in this Section 3.06, any interest on Bearer Securities shall be payable only upon presentation and surrender of the Coupons appertaining thereto.

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

Every new Debt Security or Coupon of any series issued pursuant to this Section shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Debt Security or Coupon shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Debt Securities or Coupons of that series duly issued hereunder.

28

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

Section 3.07. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED.

(a) Interest on any Registered Security which is payable and is punctually paid or duly provided for on any Interest Payment Date shall be paid to the Person in whose name such Registered Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest notwithstanding the cancellation of such Registered Security upon any transfer or exchange subsequent to the Regular Record Date. Unless otherwise specified as contemplated by Section 3.01 with respect to the Debt Securities of any series, payment of interest on Registered Securities shall be made at the place or places specified pursuant to Section 3.01 or, at the option of the Company, by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or, if provided pursuant to Section 3.01, by wire transfer to an account designated by the Registered Holder.

(b) Interest on any Coupon Security which is payable and is punctually paid or duly provided for on any Interest Payment Date shall be paid to the Holder of the Coupon which has matured on such Interest Payment Date upon surrender of such Coupon on such Interest Payment Date at the principal London office of the Trustee or at such other Place of Payment outside the United States specified pursuant to Section 3.01.

Interest on any Bearer Security (other than a Coupon Security) which is payable and is punctually paid or duly provided for on any Interest Payment Date shall be paid to the Holder of the Bearer Security upon presentation of such Bearer Security and notation thereon on such Interest Payment Date at the principal London office of the Trustee or at such other Place of Payment outside the United States specified pursuant to Section 3.01.

Unless otherwise specified pursuant to Section 3.01, at the direction of the Holder of any Bearer Security or Coupon payable in Dollars, payment on such Bearer Security or Coupon will be made by check drawn on a bank in the City of New York or, if agreeable to the Trustee, by wire transfer to a Dollar account maintained by such Holder outside the United States. If such payment at the offices of all Paying Agents outside the United States becomes illegal or is effectively precluded because of the imposition of exchange controls or similar restrictions on the full payment or receipt of such amounts in Dollars, the Company will appoint an office or agent in the United States at which such payment may be made. Unless otherwise specified pursuant to Section 3.01, at the direction of the Holder of any Bearer Security or Coupon payable in a Foreign Currency, payment on such Bearer Security or Coupon will be made by a check drawn on a bank outside the United States or by wire transfer to an appropriate account maintained by such Holder outside the United States. Except as provided in this paragraph, no payment on any Bearer Security or Coupon will be made by mail to an address in the United States or by wire transfer to an account in the United States.

(c) Any interest on any Debt Security which is payable but is not punctually paid or duly provided for on any Interest Payment Date (herein called "Defaulted Interest") shall, if such Debt Security is a Registered Security, forthwith cease to be payable to the Registered Holder on the relevant Regular Record Date by virtue of his having been such Registered Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

29

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names such Registered Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each such Registered Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money in the Currency or Currency unit in which the Debt Securities of such series are payable (except as otherwise specified pursuant to Sections 3.01 or 3.10) equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest, which date shall be not more than 15 days, and not less than 10 days, prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to the Holders of such Registered Securities at their addresses as they appear in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names such Registered Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest on Registered Securities in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Registered Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

(d) Any Defaulted Interest payable in respect of Bearer Securities of any series shall be payable pursuant to such procedures as may be satisfactory to the Trustee in such manner that there is no discrimination between the Holders of Registered Securities (if any) and Bearer Securities of such series, and notice of the payment date therefor shall be given by the Trustee, in the name and at the expense of the Company, in the manner provided in Section 1.05 not more than 25 days, and not less than 20 days, prior to the date of the proposed payment.

(e) Subject to the foregoing provisions of this Section, each Debt Security delivered under this Indenture upon transfer of, in exchange for, or in lieu of, any other Debt Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Debt Security.

Section 3.08. CANCELLATION.

Unless otherwise specified pursuant to Section 3.01 for Debt Securities of any series, all Debt Securities surrendered for payment, redemption, transfer, exchange or credit against any sinking fund and all Coupons surrendered for payment or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee. All Registered Securities and matured Coupons so delivered shall be promptly canceled by the Trustee. All Bearer Securities and unmatured Coupons so delivered

shall be held by the Trustee and, upon instruction by the Company Order, shall be canceled or held for reissuance. Bearer Securities and unmatured Coupons held for reissuance may be reissued only in exchange for Bearer Securities of the same series and of like Stated Maturity and with like terms and conditions pursuant to Section 3.05 or in replacement of mutilated, lost, stolen or destroyed Bearer Securities of the same series and of like Stated Maturity and with like terms and conditions, or the related Coupons pursuant to Section 3.06. All Bearer Securities and unmatured Coupons held by the Trustee pending such cancellation or reissuance shall be deemed to be delivered for cancellation for all purposes of this Indenture and the Debt Securities. The Company may at any time deliver to the Trustee for cancellation any Debt Securities or Coupons previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other Person for delivery to the Trustee) for cancellation any Debt Securities previously authenticated hereunder which the Company has not issued, and all Debt Securities or Coupons so delivered shall be promptly canceled by the Trustee. No Debt Securities or Coupons shall be authenticated in lieu of or in exchange for any Debt Securities or Coupons canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Debt Securities and Coupons held by the Trustee shall be delivered to the Company upon Company Request. The acquisition of any Debt Securities or Coupons by the Company shall not operate as a redemption or satisfaction of the indebtedness represented thereby unless and until such Debt Securities or Coupons are surrendered to the Trustee for cancellation. In the case of any temporary Global Note which shall be destroyed if the entire aggregate principal amount of the Debt Securities represented thereby has been exchanged, the certificate of destruction shall state that all certificates required pursuant to Section 3.04 hereof and substantially in the form of Exhibit B hereto, to be given by the Euro-clear Operator or CEDEL, have been duly presented to the Trustee by the Euro-clear Operator or CEDEL, as the case may be. Permanent Global Notes shall not be destroyed until exchanged in full for definitive Debt Securities or until payment thereon is made in full. The Trustee shall not be required to destroy Debt Securities.

Section 3.09. COMPUTATION OF INTEREST.

Except as otherwise specified pursuant to Section 3.01 for Debt Securities of any series, interest on the Debt Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

Section 3.10. CURRENCY OF PAYMENTS IN RESPECT OF DEBT SECURITIES.

(a) Except as otherwise specified pursuant to Section 3.01 for Bearer Securities of any series, payment of the principal of (and premium, if any) and interest on Bearer Securities of such series denominated in any Currency will be made in such Currency.

(b) With respect to Registered Securities of any series not permitting the election provided for in paragraph (c) below or the Holders of which have not made the election provided for in paragraph (c) below, except as provided in paragraph (e) below, payment of the principal of (and premium, if any) and any interest on any Registered Security of such series will be made in the Currency in which such Registered Security is payable.

(c) It may be provided pursuant to Section 3.01 with respect to the Registered Securities of any series that Holders shall have the option, subject to paragraphs (e) and (f) below, to receive payments of principal of (and premium, if any) and any interest on such Registered Securities in any of the Currencies which may be designated for such election by delivering to the Trustee a written election, to be in form and substance satisfactory to the Trustee, not later than the close of business on the Election Date immediately preceding the applicable payment date. If a Holder so elects to receive

such payments in any such Currency, such election will remain in effect for such Holder or any transferee of such Holder until changed by such Holder or such transferee by written notice to the Trustee (but any such change must be made not later than the close of business on the Election Date immediately preceding the next payment date to be effective for the payment to be made on such payment date, and no such change or election may be made with respect to payments to be made on any Registered Security of such series with respect to which an Event of Default has occurred or notice of redemption has been given by the Company pursuant to Article Thirteen). Any Holder of any such Registered Security who shall not have delivered any such election to the Trustee by the close of business on the applicable Election Date will be paid the amount due on the applicable payment date in the relevant Currency as provided in paragraph (b) of this Section 3.10.

(d) If the election referred to in paragraph (c) above has been provided for pursuant to Section 3.01, then not later than the fourth Business Day after the Election Date for each payment date, the Trustee will deliver to the Company a written notice specifying, in the Currency in which each series of the Registered Securities is payable, the respective aggregate amounts of principal of (and premium, if any) and any interest on the Registered Securities to be paid on such payment date, specifying the amounts so payable in respect of the Registered Securities as to which the Holders of Registered Securities denominated in any Currency shall have elected to be paid in another Currency as provided in paragraph (c) above. If the election referred to in paragraph (c) above has been provided for pursuant to Section 3.01 and if at least one Holder has made such election, then, on the second Business Day preceding each payment date, the Company will deliver to the Trustee an Exchange Rate Officer's Certificate in respect of the Currency payments to be made on such payment date. The Currency amount receivable by Holders of Registered Securities who have elected payment in a Currency as provided in paragraph (c) above shall be determined by the Company on the basis of the applicable Market Exchange Rate in effect on the third Business Day (the "Valuation Date") immediately preceding each payment date.

(e) If a Conversion Event occurs with respect to a Foreign Currency, the ECU or any other Currency unit in which any of the Debt Securities are denominated or payable, other than pursuant to an election provided for pursuant to paragraph (c) above, then with respect to each date for the payment of principal of (and premium, if any) and any interest on the applicable Debt Securities denominated or payable in such Foreign Currency, the ECU or such other Currency unit occurring after the last date on which such Foreign Currency, the ECU or such other Currency unit was used (the "Conversion Date"), the Dollar shall be the Currency of payment for use on each such payment date. The Dollar amount to be paid by the Company to the Trustee and by the Trustee or any Paying Agent to the Holders of such Debt Securities with respect to such payment date shall be the Dollar Equivalent of the Foreign Currency or, in the case of a Currency unit, the Dollar Equivalent of the Currency Unit, in each case as determined by the Currency Determination Agent, if any, or, if there shall not be a Currency Determination Agent, then by the Trustee, in the manner provided in paragraph (g) or (h) below.

(f) If the Holder of a Registered Security denominated in any Currency shall have elected to be paid in another Currency as provided in paragraph (c) above, and a Conversion Event occurs with respect to such elected Currency, such Holder shall receive payment in the Currency in which payment would have been made in the absence of such election. If a Conversion Event occurs with respect to the Currency in which payment would have been made in the absence of such election, such Holder shall receive payment in Dollars as provided in paragraph (e) of this Section 3.10.

(g) The "Dollar Equivalent of the Foreign Currency" shall be determined by the Currency Determination Agent, if any, or, if there shall not be a Currency Determination Agent, then by

the Trustee, and shall be obtained for each subsequent payment date by converting the specified Foreign Currency into Dollars at the Market Exchange Rate on the Conversion Date.

(h) The "Dollar Equivalent of the Currency Unit" shall be determined by the Currency Determination Agent, if any, or, if there shall not be a Currency Determination Agent, then by the Trustee, and subject to the provisions of paragraph (i) below, shall be the sum of each amount obtained by converting the Specified Amount of each Component Currency into Dollars at the Market Exchange Rate for such Component Currency on the Valuation Date with respect to each payment.

(i) For purposes of this Section 3.10 the following terms shall have the following meanings:

A "Component Currency" shall mean any Currency which, on the Conversion Date, was a component Currency of the relevant Currency unit, including, but not limited to, the ECU.

A "Specified Amount" of a Component Currency shall mean the number of units of such Component Currency or fractions thereof which were represented in the relevant Currency unit, including, but not limited to, the ECU, on the Conversion Date. If after the Conversion Date the official unit of any Component Currency is altered by way of combination or subdivision, the Specified Amount of such Component Currency shall be divided or multiplied in the same proportion. If after the Conversion Date two or more Component Currencies are consolidated into a single Currency, the respective Specified Amounts of such Component Currencies shall be replaced by an amount in such single Currency equal to the sum of the respective Specified Amounts of such consolidated Component Currencies expressed in such single Currency, and such amount shall thereafter be a Specified Amount and such single Currency shall thereafter be a Component Currency. If after the Conversion Date any Component Currency shall be divided into two or more Currencies, the Specified Amount of such Component Currency shall be replaced by amounts of such two or more Currencies with appropriate Dollar equivalents at the Market Exchange Rate on the date of such replacement equal to the Dollar equivalent of the Specified Amount of such former Component Currency at the Market Exchange Rate on such date, and such amounts shall thereafter be Specified Amounts and such Currencies shall thereafter be Component Currencies. If after the Conversion Date of the relevant Currency unit, including, but not limited to, the ECU, a Conversion Event (other than any event referred to above in this definition of "Specified Amount") occurs with respect to any Component Currency of such Currency unit, the Specified Amount of such Component Currency shall, for

purposes of calculating the Dollar Equivalent of the Currency Unit, be converted into Dollars at the Market Exchange Rate in effect on the Conversion Date of such Component Currency.

“Election Date” shall mean the record date with respect to any payment date, and with respect to the Maturity shall mean the record date (if within 16 or fewer days prior to the Maturity) immediately preceding the Maturity, and with respect to any series of Debt Securities whose record date immediately preceding the Maturity is more than 16 days prior to the Maturity or any series of Debt Securities for which no record dates are provided with respect to interest payments, shall mean the date which is 16 days prior to the Maturity.

(j) All decisions and determinations of the Trustee or the Currency Determination Agent, if any, regarding the Dollar Equivalent of the Foreign Currency, the Dollar Equivalent of the Currency Unit and the Market Exchange Rate shall be in its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and irrevocably binding upon the Company and all Holders of the Debt Securities denominated or payable in the relevant Currency. In the event of a Conversion

33

Event with respect to a Foreign Currency, the Company, after learning thereof, will immediately give written notice thereof to the Trustee (and the Trustee will promptly thereafter give notice in the manner provided in Section 1.05 to the Holders) specifying the Conversion Date. In the event of a Conversion Event with respect to the ECU or any other Currency unit in which Debt Securities are denominated or payable, the Company, after learning thereof, will immediately give notice thereof to the Trustee (and the Trustee will promptly thereafter give written notice in the manner provided in Section 1.05 to the Holders) specifying the Conversion Date and the Specified Amount of each Component Currency on the Conversion Date. In the event of any subsequent change in any Component Currency as set forth in the definition of Specified Amount above, the Company, after learning thereof, will similarly give written notice to the Trustee. The Trustee shall be fully justified and protected in relying and acting upon information received by it from the Company and the Currency Determination Agent, if any, and shall not otherwise have any duty or obligation to determine such information independently.

(k) For purposes of any provision of the Indenture where the Holders of Outstanding Debt Securities may perform an Act which requires that a specified percentage of the Outstanding Debt Securities of all series perform such Act and for purposes of any decision or determination by the Trustee of amounts due and unpaid for the principal (and premium, if any) and interest on the Debt Securities of all series in respect of which moneys are to be disbursed ratably, the principal of (and premium, if any) and interest on the Outstanding Debt Securities denominated in a Foreign Currency will be the amount in Dollars based upon the Market Exchange Rate for Debt Securities of such series, as of the date for determining whether the Holders entitled to perform such Act have performed it, or as of the date of such decision or determination by the Trustee, as the case may be.

Section 3.11. JUDGMENTS.

If for the purpose of obtaining a judgment in any court with respect to any obligation of the Company hereunder or under any Debt Security, it shall become necessary to convert into any other Currency any amount in the Currency due hereunder or under such Debt Security, then such conversion shall be made at the Market Exchange Rate as in effect on the date the Company shall make payment to any Person in satisfaction of such judgment. If pursuant to any such judgment, conversion shall be made on a date other than the date payment is made and there shall occur a change between such Market Exchange Rate and the Market Exchange Rate as in effect on the date of payment, the Company agrees to pay such additional amounts (if any) as may be necessary to ensure that the amount paid is equal to the amount in such other Currency which, when converted at the Market Exchange Rate as in effect on the date of payment or distribution, is the amount then due hereunder or under such Debt Security. Any amount due from the Company under this Section 3.11 shall be due as a separate debt and is not to be affected by or merged into any judgment being obtained for any other sums due hereunder or in respect of any Debt Security. In no event, however, shall the Company be required to pay more in the Currency or Currency unit due hereunder or under such Debt Security at the Market Exchange Rate as in effect when payment is made than the amount of Currency stated to be due hereunder or under such Debt Security so that in any event the Company's obligations hereunder or under such Debt Security will be effectively maintained as obligations in such Currency, and the Company shall be entitled to withhold (or be reimbursed for, as the case may be) any excess of the amount actually realized upon any such conversion over the amount due and payable on the date of payment or distribution.

Section 3.12. EXCHANGE UPON DEFAULT.

If default is made in the payments referred to in Section 12.01, then the Company hereby undertakes that, upon presentation and surrender of a permanent Global Note to the Trustee (or to any other Person or at any other address as the Company may designate in writing), on any Business Day on

34

or after the maturity date thereof, the Company will issue and the Trustee will authenticate and make available for delivery to the bearer of such permanent Global Note duly executed and authenticated definitive Debt Securities with the same issue date and maturity date as set out in such permanent Global Note.

Section 3.13. MANDATORY DISPOSITION OF DEBT SECURITIES PURSUANT TO GAMING LAWS.

Each Holder and beneficial owner, by accepting or otherwise acquiring an interest in the Debt Securities, shall be deemed to have agreed that if the Gaming Authority of any jurisdiction in which the Company or any of its subsidiaries conducts or proposes to conduct gaming requires that a Person who is a Holder or beneficial owner must be licensed, qualified or found suitable under the applicable Gaming Laws, such Holder or beneficial owner shall apply for a license, qualification or a finding of suitability within the required time period. If such Person fails to apply or become licensed or qualified or is found unsuitable, then the Company shall have the right, at its option, (i) to require such Person to dispose of its Debt Securities or beneficial interest therein within 30 days of receipt of notice of the Company's election or such earlier date as may be requested or prescribed by such Gaming Authority or (ii) to redeem such Debt Securities at a redemption price equal to the lesser of (a) such Person's cost or (b) 100% of the principal amount thereof, plus accrued and unpaid interest to the earlier of the redemption date and the date of the finding of unsuitability, which may be less than 30 days following the notice of redemption if so requested or prescribed by the Gaming Authority. The Company shall notify the Trustee in writing of any such redemption as soon as practicable. The Company shall not be responsible for any costs or expenses any such Holder or beneficial owner may incur in connection with its application for a license, qualification or a finding of suitability.

Section 3.14. CUSIP NUMBERS.

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

ARTICLE FOUR

SATISFACTION AND DISCHARGE

Section 4.01. SATISFACTION AND DISCHARGE OF INDENTURE.

This Indenture shall, upon Company Request, cease to be of further effect with respect to any series of Debt Securities specified in such Company Request (except as to any surviving rights of registration of transfer or exchange of such Debt Securities herein expressly provided for and rights to receive payments of principal (and premium, if any) and interest on such Debt Securities) and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when:

- (1) either

35

(A) all Debt Securities and the Coupons, if any, of such series theretofore authenticated and delivered (other than (i) Debt Securities and Coupons of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.06, (ii) Coupons appertaining to Bearer Securities surrendered for exchange for Registered Securities and maturing after such exchange, whose surrender is not required or has been waived under Section 3.05, (iii) Coupons appertaining to Bearer Securities called for redemption and maturing after the relevant Redemption Date, whose surrender has been waived as provided in Section 13.06, and (iv) Debt Securities and Coupons of such series for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 12.04) have been delivered to the Trustee for cancellation; or

- (B) all Debt Securities and the Coupons, if any, of such series not theretofore delivered to the Trustee for cancellation,

- (i) have become due and payable, or
- (ii) will become due and payable at their Stated Maturity within one year, or
- (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice by the Trustee in the name, and at the expense, of the Company,

and the Company, either complies with any other condition or terms specified pursuant to Section 3.01, or if not so specified in the case of (i), (ii) or (iii) of this subclause (B), has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose an amount in the Currency in which such Debt Securities are denominated (except as otherwise provided pursuant to Section 3.01 or 3.10) sufficient to pay and discharge the entire indebtedness on such Debt Securities for principal (and premium, if any) and interest to the date of such deposit (in the case of Debt Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be; PROVIDED, HOWEVER, in the event a petition for relief under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, is filed with respect to the Company within 91 days after the deposit and the Trustee is required to return the deposited money to the Company, the obligations of the Company under this Indenture with respect to such Debt Securities shall not be deemed terminated or discharged;

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

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

(4) the Company has delivered to the Trustee an Opinion of Counsel or a ruling by the Internal Revenue Service to the effect that Holders of the Debt Securities of the series will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit and discharge.

36

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 6.07, the obligations of the Trustee to any Authenticating Agent under Section 6.14, the obligations of the Company under Section 12.01, and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 4.02 and the last paragraph of Section 12.04, shall survive. If, after the deposit referred to in Section 4.01 has been made, (x) the Holder of a Debt Security is entitled to, and does, elect pursuant to Section 3.10(c), to receive payment in a Currency other than that in which the deposit pursuant to Section 4.01 was made, or (y) if a Conversion Event occurs with respect to the Currency in which the deposit was made or elected to be received by the Holder pursuant to Section 3.10(c), then the indebtedness represented by such Debt Security shall be fully discharged to the extent that the deposit made with respect to such Debt Security shall be converted into the Currency in which such payment is made.

Section 4.02. APPLICATION OF TRUST MONEY.

Subject to the provisions of the last paragraph of Section 12.04, all money deposited with the Trustee pursuant to Section 4.01 shall be held in trust and applied by it, in accordance with the provisions of the Debt Securities and Coupons, if any, and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee.

ARTICLE FIVE

REMEDIES

Section 5.01. EVENTS OF DEFAULT.

“Event of Default” wherever used herein with respect to Debt Securities of any series means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law, pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (1) default in the payment of any interest upon any Debt Security or any payment with respect to the Coupons, if any, of such series when it becomes due and payable, and continuance of such default for a period of 30 days; or
- (2) default in the payment of the principal of (and premium, if any, on) any Debt Security of such series at its Maturity; or
- (3) default in the deposit of any sinking fund payment, when and as due by the terms of a Debt Security of such series; or
- (4) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with or which expressly has been included in this Indenture solely for the benefit of Debt Securities of a series other than such series), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Debt Securities of

37

such series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” hereunder; or

(5) the acceleration of the maturity of any indebtedness of the Company (other than Non-recourse Indebtedness), at any one time, in an amount in excess of the greater of (i) \$25 million and (ii) 5% of Consolidated Net Tangible Assets, if such acceleration is not annulled within 30 days thereafter;

(6) the entry of a decree or order for relief in respect of the Company by a court having jurisdiction in the premises in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or other similar law, or a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(7) the commencement by the Company of a voluntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or other similar law, or the consent by it to the entry of an order for relief in an involuntary case under any such law or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of its creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action; or

(8) any other Event of Default or variations in the foregoing Events of Default PROVIDED with respect to Debt Securities of that series pursuant to Section 3.01.

Section 5.02. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.

If an Event of Default with respect to Debt Securities of any series at the time Outstanding occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Debt Securities of such series may declare the principal amount (or, if any Debt Securities of such series are Discount Securities, such portion of the principal amount of such Discount Securities as may be specified in the terms of such Discount Securities) of all the Debt Securities of such series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) plus accrued and unpaid interest (and premium, if payable) shall become immediately due and payable. Upon payment of such amount in the Currency in which such Debt Securities are denominated (except as otherwise provided pursuant to Sections 3.01 or 3.10), all obligations of the Company in respect of the payment of principal of the Debt Securities of such series shall terminate.

At any time after such a declaration of acceleration with respect to Debt Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained

38

by the Trustee as hereinafter in this Article provided, the Holders of at least a majority in principal amount of the Outstanding Debt Securities of such series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

- (1) the Company has paid or deposited with the Trustee a sum in the Currency in which such Debt Securities are denominated (except as otherwise provided pursuant to Section 3.01 or 3.10) sufficient to pay
 - (A) all overdue installments of interest on all Debt Securities or all overdue payments with respect to any Coupons of such series,
 - (B) the principal of (and premium, if any, on) any Debt Securities of such series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Debt Securities,
 - (C) to the extent that payment of such interest is lawful, interest upon overdue installments of interest on each Debt Security of such series or upon overdue payments on any Coupons of such series at the Overdue Rate, and
 - (D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; PROVIDED, HOWEVER, that all sums payable under this clause (D) shall be paid in Dollars; and
- (2) All Events of Default with respect to Debt Securities of such series, other than the nonpayment of the principal of Debt Securities of such series which has become due solely by such declaration of acceleration, have been cured or waived as provided in Section 5.13.

No such rescission and waiver shall affect any subsequent default or impair any right consequent thereon.

Section 5.03. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

The Company covenants that, if:

- (1) default is made in the payment of any installment of interest on any Debt Security or any payment with respect to any Coupons when such interest or payment becomes due and payable and such default continues for a period of 30 days,
- (2) default is made in the payment of principal of (or premium, if any, on) any Debt Security at the Maturity thereof, or
- (3) default is made in the making or satisfaction of any sinking fund payment or analogous obligation when the same becomes due pursuant to the terms of the Debt Securities of any series,

then the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Debt Securities or of such Coupons, the amount then due and payable on such Debt Securities or matured Coupons, for the principal (and premium, if any) and interest, if any, and, to the extent that payment of

such interest shall be legally enforceable, interest upon the overdue principal (and premium, if any) and upon overdue installments of interest, at the Overdue Rate; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

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

If an Event of Default with respect to Debt Securities of any series occurs and is continuing, then the Trustee may, in its discretion, proceed to protect and enforce its rights and the rights of the Holders of Debt Securities and Coupons of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 5.04. TRUSTEE MAY FILE PROOFS OF CLAIM.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings, or any voluntary or involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, relative to the Company or any other obligor upon the Debt Securities and Coupons, if any, of a particular series or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of such Debt Securities shall then be due and payable as therein expressed or by declaration of acceleration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

- (i) to file and prove a claim for the whole amount of principal (or, if the Debt Securities of such series are Discount Securities, such portion of the principal amount as may be due and payable with respect to such series pursuant to a declaration in accordance with Section 5.02) (and premium, if any) and interest owing and unpaid in respect of the Debt Securities and Coupons of such series and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders of such Debt Securities and Coupons allowed in such judicial proceeding, and
- (ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, custodian, liquidator, sequestrator (or other similar official) in any such proceeding is hereby authorized by each such Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to such Holders, to pay

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

Section 5.05. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF DEBT SECURITIES.

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

Section 5.06. APPLICATION OF MONEY COLLECTED.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (and premium, if any) or interest, upon presentation of the Debt Securities or Coupons of any series in respect of which money has been collected and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 6.07.

SECOND: To the payment of the amounts then due and unpaid for principal of (and premium, if any) and interest on the Debt Securities or Coupons of such series, in respect of which or for the benefit of which such money has been collected ratably, without preference or priority of any kind, according to the amounts due and payable on such Debt Securities or Coupons for principal (and premium, if any) and interest, respectively; and

THIRD: The balance, if any, to the Person or Persons, including the Company, lawfully entitled thereto.

Section 5.07. LIMITATION ON SUITS.

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

- (1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to such series;
- (2) the Holders of not less than 25% in principal amount of the Outstanding Debt Securities of such series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

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

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

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of at least a majority in principal amount of the Outstanding Debt Securities of such series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other such Holders or of the Holders of Outstanding Debt Securities or Coupons of any other series, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders. For the protection and enforcement of the provisions of this Section 5.07, each and every Holder of Debt Securities or Coupons of any series and the Trustee for such series shall be entitled to such relief as can be given at law or in equity.

Section 5.08. UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST.

Notwithstanding any other provision in this Indenture, the Holder of any Debt Security or of any Coupon shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Section 3.07) interest on such Debt Security or Coupon on the respective Stated Maturity or Maturities expressed in such Debt Security or Coupon (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment and interest thereon, and such right shall not be impaired without the consent of such Holder.

Section 5.09. RESTORATION OF RIGHTS AND REMEDIES.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Company, the

Trustee and the Holders shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 5.10. RIGHTS AND REMEDIES CUMULATIVE.

Except as otherwise expressly provided elsewhere in this Indenture, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

42

Section 5.11. DELAY OR OMISSION NOT WAIVER.

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

Section 5.12. CONTROL BY HOLDERS.

The Holders of at least a majority in principal amount of the Outstanding Debt Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Debt Securities of such series, PROVIDED that:

- (1) such direction shall not be in conflict with any rule of law or with this Indenture;
- (2) subject to the provisions of Section 6.01, the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall, by a Responsible Officer or Responsible Officers of the Trustee, determine that the proceeding so directed would be unjustly prejudicial to the Holders of Debt Securities of such series not joining in any such direction; and
- (3) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 5.13. WAIVER OF PAST DEFAULTS.

The Holders of not less than a majority in aggregate principal amount of the Outstanding Debt Securities of any series, by notice to the Trustee, may, on behalf of the Holders of all the Debt Securities of any such series, waive any past default hereunder with respect to such series and its consequences, except a default:

- (1) in the payment of the principal of (or premium, if any) or interest on any Debt Security of such series, or in the payment of any sinking fund installment or analogous obligation with respect to the Debt Securities of such series, or
- (2) in respect of a covenant or provision hereof which, pursuant to Article Eleven, cannot be modified or amended without the consent of the Holder of each Outstanding Debt Security of such series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of the Debt Securities of such series under this Indenture, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 5.14. UNDERTAKING FOR COSTS.

All parties to this Indenture agree, and each Holder of any Debt Security or any Coupon by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the

43

Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit other than the Trustee of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant, but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder or group of Holders holding in the aggregate more than 10% in principal amount of the Outstanding Debt Securities of any series, or to any suit instituted by any Holder of a Debt Security or Coupon for the enforcement of the payment of the principal of (or premium, if any) or interest on such Debt Security or the payment of any Coupon on or after the respective Stated Maturity or Maturities expressed in such Debt Security or Coupon (or, in the case of redemption, on or after the Redemption Date).

Section 5.15. WAIVER OF STAY OR EXTENSION LAWS.

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

ARTICLE SIX

THE TRUSTEE

Section 6.01. CERTAIN DUTIES AND RESPONSIBILITIES.

(a) Except during the continuance of an Event of Default with respect to the Debt Securities of any series,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default with respect to Debt Securities of any series has occurred and is continuing, the Trustee shall, with respect to the Debt Securities of such series, exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

44

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

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

(3) the Trustee shall not be liable with respect to any action taken, suffered or omitted to be taken by it with respect to Debt Securities of any series in good faith in accordance with the direction of the Holders of at least a majority in principal amount of the Outstanding Debt Securities of such series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(4) the Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 6.02. NOTICE OF DEFAULTS.

Within 90 days after the occurrence of any default hereunder with respect to Debt Securities or Coupons, if any, of any series, the Trustee shall give notice to all Holders of Debt Securities and Coupons of such series of such default hereunder known to the Trustee, unless such default shall have been cured or waived; PROVIDED, HOWEVER, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Debt Security or Coupon of such series or in the payment of any sinking fund installment with respect to Debt Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interest of the Holders of Debt Securities and of Coupons of such series; and PROVIDED, FURTHER, that in the case of any default of the character specified in Section 5.01(4) with respect to Debt Securities of such series no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Debt Securities of such series.

Notice given pursuant to this Section 6.02 shall be transmitted by mail:

(1) to all Registered Holders, as the names and addresses of the Registered Holders appear in the Security Register;

45

(2) to such Holders of Bearer Securities of any series as have within two years preceding such transmission, filed their names and addresses with the Trustee for such series for that purpose; and

(3) to each Holder of a Debt Security of any series whose name and address appear in the information preserved at the time by the Trustee in accordance with Section 7.02(a) of this Indenture.

Section 6.03. CERTAIN RIGHTS OF TRUSTEE.

Except as otherwise provided in Section 6.01:

(a) the Trustee may rely, and shall be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document

believed by it to be genuine and to have been signed or presented by the proper party or parties (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein);

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors shall be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

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

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Debt Securities of any series pursuant to this Indenture, unless such Holders shall have offered to the Trustee security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent (including any agent appointed pursuant to Section 3.10(j)) or attorney appointed with due care by it hereunder.

46

(h) the Trustee shall not be deemed to have knowledge of any Default or Event of Default except (i) any Event of Default occurring pursuant to Sections 5.01(1), 5.01(2) or 5.01(3) or (ii) any Default or Event of Default of which the Trustee shall have received written notification or obtained actual knowledge.

Section 6.04. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF DEBT SECURITIES.

The recitals contained herein and in the Debt Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Debt Securities or Coupons, if any, of any series. The Trustee shall not be accountable for the use or application by the Company of any Debt Securities or the proceeds thereof.

Section 6.05. MAY HOLD DEBT SECURITIES.

The Trustee, any Paying Agent, the Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Debt Securities or Coupons, and, subject to Sections 6.08 and 6.13, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar or such other agent.

Section 6.06. MONEY HELD IN TRUST.

Money in any Currency held by the Trustee or any Paying Agent in trust hereunder need not be segregated from other funds except to the extent required by law. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

Section 6.07. COMPENSATION AND REIMBURSEMENT.

The Company agrees:

(1) to pay to the Trustee from time to time such compensation in Dollars as the parties shall agree in writing from time to time for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee in Dollars upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the reasonable expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify in Dollars the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust or performance of its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

47

As security for the performance of the obligations of the Company under this Section, the Trustee shall have a lien prior to the Debt Securities and Coupons, if any, upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of amounts due on the Debt Securities and Coupons.

The obligations of the Company under this Section 6.07 to compensate and indemnify the Trustee for reasonable expenses, disbursements and advances shall constitute additional indebtedness under this Indenture and shall survive the satisfaction and discharge of this Indenture.

Section 6.08. DISQUALIFICATION; CONFLICTING INTERESTS.

(a) If the Trustee has or shall acquire any conflicting interest, as defined in this Section with respect to the Debt Securities of any series, then, within 90 days after ascertaining that it has such conflicting interest, and if the default (as hereinafter defined) to which such conflicting interest relates has not been cured or duly waived or otherwise eliminated before the end of such 90-day period, the Trustee shall either eliminate such conflicting interest or, except as otherwise provided below, resign with respect to the Debt Securities of such series, and the Company shall take prompt steps to have a successor appointed, in the manner and with the effect hereinafter specified in this Article.

(b) In the event that the Trustee shall fail to comply with the provisions of subsection (a) of this Section with respect to the Debt Securities of any series, the Trustee shall, within 10 days after the expiration of such 90-day period, transmit to all Holders of Debt Securities of such series notice of such failure.

Notice given pursuant to this Section 6.08(b) shall be transmitted by mail:

(1) to all Registered Holders, as the names and addresses of the Registered Holders appear in the Security Register;

(2) to such Holders of Bearer Securities of any series as have, within two years preceding such transmission, filed their names and addresses with the Trustee for such series for that purpose; and

(3) to each Holder of a Debt Security of any series whose name and address appear in the information preserved at the time by the Trustee in accordance with Section 7.02(a) of this Indenture.

(c) For the purposes of this Section, the Trustee shall be deemed to have a conflicting interest with respect to the Debt Securities of any series, if there shall exist an Event of Default (as such term is defined herein, but exclusive of any period of grace or requirement of notice) with respect to such Debt Securities and

(1) the Trustee is trustee under this Indenture with respect to the Outstanding Debt Securities of any series other than that series or is trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the Company are outstanding, unless such other indenture is a collateral trust indenture under which the only collateral consists of Debt Securities issued under this Indenture, PROVIDED that there shall be excluded from the operation of this paragraph this Indenture with respect to the Debt Securities of any series other than that series and any other indenture or indentures under which

other securities, or certificates of interest or participation in other securities, of the Company are outstanding, if

(i) this Indenture and such other indenture or indentures (and all series of securities issuable thereunder) are wholly unsecured and rank equally and such other indenture or indentures are hereafter qualified under the Trust Indenture Act, unless the Commission shall have found and declared by order pursuant to Section 305(b) or Section 307(c) of the Trust Indenture Act that differences exist between the provisions of this Indenture with respect to the Debt Securities of such series and one or more other series or the provisions of such other indenture or indentures which are so likely to involve a material conflict of interest as to make it necessary, in the public interest or for the protection of investors, to disqualify the Trustee from acting as such under this Indenture with respect to the Debt Securities of such series and such other series or under such other indenture or indentures, or

(ii) the Company shall have sustained the burden of proving, on application to the Commission and after opportunity for hearing thereon, that trusteeship under this Indenture with respect to the Debt Securities of such series and such other series or such other indenture or indentures is not so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under this Indenture with respect to the Debt Securities of such series and such other series or under such other indenture or indentures;

(2) the Trustee or any of its directors or executive officers is an underwriter for the Company;

(3) the Trustee directly or indirectly controls or is directly or indirectly controlled by or is under direct or indirect common control with an underwriter for the Company;

(4) the Trustee or any of its directors or executive officers is a director, officer, partner, employee, appointee or representative of the Company, or of an underwriter (other than the Trustee itself) for the Company who is currently engaged in the business of underwriting, except that (i) one individual may be a director or an executive officer, or both, of the Trustee and a director or an executive officer, or both, of the Company but may not be at the same time an executive officer of both the Trustee and the Company; (ii) if and so long as the number of directors of the Trustee in office is more than nine, one additional individual may be a director or an executive officer, or both, of the Trustee and a director of the Company; and (iii) the Trustee may be designated by the Company or by any underwriter for the Company to act in the capacity of transfer agent, registrar, custodian, paying agent, fiscal agent, escrow agent, or depository or in any other similar capacity, or, subject to the provisions of paragraph (1) of this subsection, to act as trustee, whether under an indenture or otherwise;

(5) 10% or more of the voting securities of the Trustee is beneficially owned either by the Company or by any director, partner or executive officer thereof, or 20% or more of such voting securities is beneficially owned, collectively, by any two or more of such Persons; or 10%

(6) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default (as hereinafter in this subsection defined), (i) 5% or more of the voting securities, or 10% or more of any other class of security, of the Company not including the Debt Securities issued under this Indenture and securities issued under any other indenture under which the Trustee is also trustee, or (ii) 10% or more of any class of security of an underwriter for the Company;

(7) the Trustee is the beneficial owner of or holds as collateral security for an obligation which is in default, 5% or more of the voting securities of any Person who, to the knowledge of the Trustee, owns 10% or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control with, the Company;

(8) the Trustee is the beneficial owner of or holds as collateral security for an obligation which is in default, 10% or more of any class of security of any Person who, to the knowledge of the Trustee, owns 50% or more of the voting securities of the Company;

(9) the Trustee owns, on the date of such Event of Default or any anniversary of such Event of Default while such Event of Default remains outstanding, in the capacity of executor, administrator, testamentary or inter vivos trustee, guardian, committee or conservator, or in any other similar capacity, an aggregate of 25% or more of the voting securities, or of any class of security, of any Person, the beneficial ownership of a specified percentage of which would have constituted a conflicting interest under paragraph (6), (7) or (8) of this subsection. As to any such securities of which the Trustee acquired ownership through becoming executor, administrator or testamentary trustee of an estate which included them, the provisions of the preceding sentence shall not apply, for a period of not more than two years from the date of such acquisition, to the extent that such securities included in such estate do not exceed 25% of such voting securities or 25% of any such class of security. Promptly after the dates of any such Event of Default and annually in each succeeding year that such Event of Default continues, the Trustee shall make a check of its holdings of such securities in any of the above-mentioned capacities as of such dates. If the Company fails to make payment in full of the principal of (or premium, if any) or interest on any of the Debt Securities when and as the same becomes due and payable, and such failure continues for 30 days thereafter, the Trustee shall make a prompt check of its holdings of such securities in any of the above-mentioned capacities as of the date of the expiration of such 30-day period, and after such date, notwithstanding the foregoing provisions of this paragraph, all such securities so held by the Trustee, with sole or joint control over such securities vested in it, shall be considered as though beneficially owned by the Trustee for the purposes of paragraphs (6), (7) and (8) of this subsection; or

(10) except under the circumstances described in paragraphs (1), (3), (4), (5) or (6) of Section 6.13(b) of this Indenture, the Trustee shall be or shall become a creditor of the Company.

For the purposes of paragraph (1) of this subsection, the term “series of securities” or “series” means a series, class or group of securities issuable under an indenture pursuant to whose terms holders of one such series may vote to direct the Trustee, or otherwise take action pursuant to a vote of such holders, separately from holders of another series; PROVIDED, that “series of securities” or “series” shall not include any series of securities issuable under an indenture if all such series rank equally and are wholly unsecured.

The specification of percentages in paragraphs (5) to (9), inclusive, of this subsection shall not be construed as indicating that the ownership of such percentages of the securities of a person is

or is not necessary or sufficient to constitute direct or indirect control for the purposes of paragraph (3) or (7) of this subsection.

For the purposes of paragraphs (6), (7), (8) and (9) of this subsection only, (i) the terms “security” and “securities” shall include only such securities as are generally known as corporate securities, but shall not include any note or other evidence of indebtedness issued to evidence an obligation to repay moneys lent to a person by one or more banks, trust companies or banking firms, or any certificate of interest or participation in any such note or evidence of indebtedness; (ii) an obligation shall be deemed to be “in default” when a default in payment of principal shall have continued for 30 days or more and shall not have been cured; and (iii) the Trustee shall not be deemed to be the owner or holder of (A) any security which it holds as collateral security, as trustee or otherwise, for an obligation which is not in default as defined in clause (ii) above, or (B) any security which it holds as collateral security under this Indenture, irrespective of any default hereunder, or (C) any security which it holds as agent for collection, or as custodian, escrow agent or depositary, or in any similar representative capacity.

(d) For the purposes of this Section:

(1) The term “underwriter” when used with reference to the Company means every Person who, within one year prior to the time as of which the determination is made, has purchased from the Company with a view to, or has offered or sold for the Company in connection with, the distribution of any security of the Company outstanding at such time, or has participated or has had a direct or indirect participation in any such undertaking, or has participated or has had a participation in the direct or indirect underwriting of any such undertaking, but such term shall not include a Person whose interest was limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors’ or sellers’ commission.

(2) The term “director” means any director of a corporation, or any individual performing similar functions with respect to any organization whether incorporated or unincorporated.

(3) The term “trust” shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

(4) The term “voting security” means any security presently entitling the owner or holder thereof to vote in the direction or management of the affairs of a person, or any security issued under or pursuant to any trust, agreement or arrangements whereby a trustee or trustees or agent or agents for the owner or holder of such security are presently entitled to vote in the direction or management of the affairs of a person.

(5) The term “Company” means any obligor upon the Debt Securities of any series.

(6) The term “executive officer” means the president, every vice president (or, with respect to the Company, every executive or senior vice president), every trust officer, the cashier, the secretary, and the treasurer of a corporation, and any individual customarily performing similar functions with respect to any organization, whether incorporated or unincorporated, but shall not include the chairman of the board of directors.

(e) The percentages of voting securities and other securities specified in this Section shall be calculated in accordance with the following provisions:

51

(1) A specified percentage of the voting securities of the Trustee, the Company or any other Person referred to in this Section means such amount of the outstanding voting securities of such Person as entitles the holder or holders thereof to cast such specified Percentage of the aggregate votes which the holders of all the outstanding voting securities of such Person are entitled to cast in the direction or management of the affairs of such Person.

(2) A specified percentage of a class of securities of a Person means such percentage of the aggregate amount of securities of the class outstanding.

(3) The term “amount”, when used with regard to securities means the principal amount if relating to evidences of indebtedness, the number of shares if relating to capital shares, and the number of units if relating to any other kind of security.

(4) The term “outstanding” means issued and not held by or for the account of the issuer. The following securities shall not be deemed outstanding within the meaning of this definition:

- (i) securities of an issuer held in a sinking fund relating to securities of the issuer of the same class;
- (ii) securities of an issuer held in a sinking fund relating to another class of securities of the issuer, if the obligation evidenced by such other class of securities is not in default as to principal or interest or otherwise;
- (iii) securities pledged by the issuer thereof as security for an obligation of the issuer not in default as to principal or interest or otherwise; and
- (iv) securities held in escrow if placed in escrow by the issuer thereof;

PROVIDED, HOWEVER, that any voting securities of an issuer shall be deemed outstanding if any Person other than the issuer is entitled to exercise the voting rights thereof.

(5) A security shall be deemed to be of the same class as another security if both securities confer upon the holder or holders thereof substantially the same rights and privileges; PROVIDED, HOWEVER, that, in the case of secured evidences of indebtedness, all of which are issued under a single indenture, differences in the interest rates or maturity dates of various series thereof shall not be deemed sufficient to constitute such series as different classes; and PROVIDED, FURTHER, that, in the case of unsecured evidences of indebtedness, differences in the interest rates or maturity dates thereof shall not be deemed sufficient to constitute them securities of different classes, whether or not they are issued under a single indenture.

(f) Except in the case of a default in the payment of the principal of or interest on any Debt Security of any series, or in the payment of any sinking or purchase fund installment, the Trustee shall not be required to resign as provided by this Section if the Trustee shall have sustained the burden of proving, on application to the Commission and after opportunity for hearing thereon, that:

- (1) the Event of Default may be cured or waived during a reasonable period and under the procedures described in such application;
- and

52

- (2) a stay of the Trustee’s duty to resign will not be inconsistent with the interests of Holders of the Debt Securities.

The filing of such an application shall automatically stay the performance of the duty to resign until the Commission orders otherwise.

Section 6.09. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY.

There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, subject to supervision or examination by Federal, State or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Neither the Company nor any person directly or indirectly controlling, controlled by, or under common control with the Company shall serve as Trustee upon any Debt Securities.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 6.11.

(b) The Trustee may resign at any time with respect to the Debt Securities of one or more series by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Debt Securities of such series.

(c) The Trustee may be removed at any time with respect to the Debt Securities of any series and a successor Trustee appointed by Act of the Holders of at least a majority in principal amount of the Outstanding Debt Securities of such series, delivered to the Trustee and to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the removal of the Trustee, the removed Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Debt Securities of such series.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 6.08(a) with respect to the Debt Securities of any series after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Debt Security of such series for at least six months, or

(2) the Trustee shall cease to be eligible under Section 6.09 with respect to the Debt Securities of any series and shall fail to resign after written request therefor by the Company or by any such Holder, or

53

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company, by a Board Resolution, may remove the Trustee with respect to all Debt Securities, or (ii) subject to Section 5.14, any Holder who has been a bona fide Holder of a Debt Security of any series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee for the Debt Securities of such series.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Debt Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Debt Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Debt Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Debt Securities of any particular series) and shall comply with the applicable requirements of Section 6.11. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Debt Securities of any series shall be appointed by Act of the Holders of at least a majority in principal amount of the Outstanding Debt Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee with respect to the Debt Securities of such series and, to that extent, supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Debt Securities of any series shall have been so appointed by the Company or the Holders of such series and accepted appointment in the manner hereinafter PROVIDED, any Holder who has been a bona fide Holder of a Debt Security of such series for at least six months may, subject to Section 5.14, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Debt Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Debt Securities of any series and each appointment of a successor Trustee with respect to the Debt Securities of any series in the manner and to the extent provided in Section 1.05 to the Holders of Debt Securities of such series. Each notice shall include the name of the successor Trustee with respect to the Debt Securities of such series and the address of its Corporate Trust Office.

Section 6.11. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

(a) In the case of an appointment hereunder of a successor Trustee with respect to all Debt Securities, each such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee, but, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its claim, if any, provided for in Section 6.07.

54

(b) In case of the appointment hereunder of a successor Trustee with respect to the Debt Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Debt Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debt Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Debt Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debt Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in any such supplemental indenture shall constitute such Trustees co-trustees

of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any other trust or trusts hereunder administered by any other such Trustee; and, upon the execution and delivery of any such supplemental indenture, the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debt Securities of that or those series to which the appointment of such successor Trustee relates, but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Debt Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

Section 6.12. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, PROVIDED that such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Debt Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Debt Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Debt Securities. In case any Debt Securities shall not have been authenticated by such predecessor Trustee, any such successor Trustee may authenticate and deliver such Debt Securities, in either its own name or that of its predecessor Trustee, with the full force and effect which this Indenture provides for the certificate of authentication of the Trustee.

55

Section 6.13. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

(a) Subject to subsection (b) of this Section, if the Trustee shall be or shall become a creditor, directly or indirectly, secured or unsecured, of the Company within three months prior to a default, as defined in subsection (c) of this Section, or subsequent to such default, then, unless and until such default shall be cured, the Trustee shall set apart and hold in a special account for the benefit of the Trustee individually, the Holders of the Debt Securities and of the Coupons, if any, and the holders of other indenture securities (as defined in subsection (c) of this Section):

(1) an amount equal to any and all reductions in the amount due and owing upon any claim as such creditor in respect of principal or interest, effected after the beginning of such three-month period and valid as against the Company and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in paragraph (2) of this subsection, or from the exercise of any right of set-off which the Trustee could have exercised if a voluntary or involuntary case had been commenced in respect of the Company under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or other similar law upon the date of such default; and

(2) all property received by the Trustee in respect of any claim as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise, after the beginning of such three-month period, or an amount equal to the proceeds of any such property, if disposed of, SUBJECT, HOWEVER, to the rights, if any, of the Company and its other creditors in such property or such proceeds.

Nothing herein contained, however, shall affect the right of the Trustee:

(A) to retain for its own account (i) payments made on account of any such claim by any Person (other than the Company) who is liable thereon, and (ii) the proceeds of the bona fide sale of any such claim by the Trustee to a third Person, and (iii) distributions made in cash, securities or other property in respect of claims filed against the Company in bankruptcy or receivership or in proceedings or reorganization pursuant to the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or other similar law;

(B) to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning of such three-month period;

(C) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such three-month period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee had no reasonable cause to believe that a default, as defined in subsection (c) of this Section, would occur within three months; or

(D) to receive payment on any claim referred to in paragraph (B) or (C) against the release of any property held as security for such claim as provided in paragraph (B) or (C), as the case may be, to the extent of the fair value of such property.

56

For the purposes of paragraphs (B), (C) and (D), property substituted after the beginning of such three-month period for property held as security at the time of such substitution shall, to the extent of the fair value of the property released, have the same status as the property released, and, to the extent that any claim referred to in any of such paragraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any pre-existing claim of the Trustee as such creditor, such claim shall have the same status as such pre-existing claim.

If the Trustee shall be required to account, the funds and property held in such special account and the proceeds thereof shall be apportioned among the Trustee, the Holders and the holders of other indenture securities in such manner that the Trustee, the Holders and the holders of other indenture securities realize, as a result of payments from such special account and payments of dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or other similar law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from the Company of the funds and property in such special account and before crediting to the respective claims of the Trustee and the Holders and the holders of other indenture securities dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or other similar law, but after crediting thereon receipts on account of the indebtedness represented by their respective claims from all sources other than from such dividends and from the funds and property so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or proceedings for reorganization pursuant to the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or other similar law, whether such distribution is made in cash, securities, or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The court in which such bankruptcy, receivership or proceedings for reorganization is pending shall have jurisdiction (i) to apportion among the Trustee and the Holders and the holders of other indenture securities, in accordance with the provisions of this paragraph, the funds and property held in such special account and proceeds thereof, or (ii) in lieu of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Trustee and the Holders and the holders of other indenture securities with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific allocation of such distributions as between the secured and unsecured portions of such claim, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee which has resigned or been removed after the beginning of such three-month period shall be subject to the provisions of this subsection as though such resignation or removal had not occurred. If any Trustee has resigned or been removed prior to the beginning of such three-month period, it shall be subject to the provisions of this subsection if and only if the following conditions exist:

- (i) the receipt of property or reduction of claim, which would have given rise to the obligation to account, if such Trustee had continued as Trustee, occurred after the beginning of such three-month period; and
- (ii) such receipt of property or reduction of claim occurred within three months after such resignation or removal.

57

(b) There shall be excluded from the operation of subsection (a) of this Section a creditor relationship arising from:

- (1) the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee;
- (2) advances authorized by a receivership or bankruptcy court of competent jurisdiction or by this Indenture, for the purpose of preserving any property which shall at any time be subject to the lien of this Indenture or of discharging tax liens or other prior liens or encumbrances thereon, if notice of such advances and of the circumstances surrounding the making thereof is given to the Holders at the time and in the manner provided in this Indenture;
- (3) disbursements made in the ordinary course of business in the capacity of trustee under an indenture, transfer agent, registrar, custodian, paying agent, fiscal agent or depository, or other similar capacity;
- (4) an indebtedness created as a result of services rendered or premises rented, or an indebtedness created as a result of goods or securities sold in a cash transaction as defined in subsection (c) of this Section;
- (5) the ownership of stock or of other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Company; and
- (6) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall within the classification of self-liquidating paper as defined in subsection (c) of this Section.

(c) For the purposes of this Section only:

- (1) The term "default" means any failure to make payment in full of the principal of or interest on any of the Debt Securities or upon the other indenture securities when and as such principal or interest becomes due and payable.
- (2) The term "other indenture securities" means securities upon which the Company is an obligor outstanding under any other indenture (i) under which the Trustee is also trustee, (ii) which contains provisions substantially similar to the provisions of this Section, and (iii) under which a default exists at the time of the apportionment of the funds and property held in such special account.
- (3) The term "cash transaction" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks and payable upon demand.
- (4) The term "self-liquidating paper" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the

58

goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

(5) The term “Company” means any obligor upon the Debt Securities.

Section 6.14. APPOINTMENT OF AUTHENTICATING AGENT.

As long as any Debt Securities of a series remain Outstanding, upon a Company Request, there shall be an authenticating agent (the “Authenticating Agent”) appointed, for such period as the Company shall elect, by the Trustee for such series of Debt Securities to act as its agent on its behalf and subject to its direction in connection with the authentication and delivery of each series of Debt Securities for which it is serving as Trustee. Debt Securities of each such series authenticated by such Authenticating Agent shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by such Trustee. Wherever reference is made in this Indenture to the authentication and delivery of Debt Securities of any series by the Trustee for such series or to the Trustee’s certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee for such series by an Authenticating Agent for such series and a certificate of authentication executed on behalf of such Trustee by such Authenticating Agent, except that only the Trustee may authenticate Debt Securities upon original issuance and pursuant to Section 3.06 hereof. Such Authenticating Agent shall at all times be a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which any Authenticating Agent may be merged or converted, or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency business of any Authenticating Agent, shall continue to be the Authenticating Agent with respect to all series of Debt Securities for which it served as Authenticating Agent without the execution or filing of any paper or any further act on the part of the Trustee for such series or such Authenticating Agent. Any Authenticating Agent may at any time, and if it shall cease to be eligible shall, resign by giving written notice of resignation to the applicable Trustee and to the Company.

Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section 6.14 with respect to one or more or all series of Debt Securities, the Trustee for such series shall, upon Company Request, appoint a successor Authenticating Agent, and the Company shall provide notice of such appointment to all Holders of Debt Securities of such series in the manner and to the extent provided in Section 1.05. Any successor Authenticating Agent, upon acceptance of its appointment hereunder, shall become vested with all rights, powers, duties and responsibilities of its predecessor hereunder, with like effect as if originally named as Authenticating Agent herein. The Trustee for the Debt Securities of such series agrees to pay to the Authenticating Agent for such series from time to time

reasonable compensation for its services, and the Trustee shall be entitled to be reimbursed for such payment, subject to the provisions of Section 6.07. The Authenticating Agent for the Debt Securities of any series shall have no responsibility or liability for any action taken by it as such at the direction of the Trustee for such series, except arising out of its negligence or willful misconduct.

If an appointment with respect to one or more series is made pursuant to this Section, the Debt Securities of such series may have endorsed thereon, in addition to the Trustee’s certificate of authentication, an alternative certificate of authentication in the following form:

This is one of the series of Debt Securities issued under the within mentioned Indenture.

[_____]

As Trustee

By: _____
As Authenticating Agent

By: _____
Authorized Signatory

Dated: _____

Section 6.15. TRUSTEE’S APPLICATION FOR INSTRUCTIONS FROM THE COMPANY.

Any application by the Trustee for written instructions from the Company may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective.

ARTICLE SEVEN

HOLDERS’ LISTS AND REPORTS BY TRUSTEE AND COMPANY

Section 7.01. COMPANY TO FURNISH TRUSTEE NAMES AND ADDRESSES OF HOLDERS.

The Company will furnish or cause to be furnished to the Trustee with respect to Registered Securities of each series for which it acts as

Trustee:

(a) semi-annually on a date not more than 15 days after each Regular Record Date with respect to an Interest Payment Date, if any, for the Registered Securities of such series (or on semi-annual dates in each year to be determined pursuant to Section 3.01 if the Registered Securities of such series do not bear interest), a list, in such form as the Trustee may reasonably require, of the names and addresses of the Registered Holders as of the date 15 days next preceding each such Regular Record Date (or such semi-annual dates, as the case may be); and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

60

PROVIDED, HOWEVER, that if and so long as the Trustee shall be the Security Registrar for such series, no such list need be furnished.

The Company shall also be required to furnish to the Trustee at all such times set forth above all information in the possession or control of the Company or any of its Paying Agents, other than the Trustee, as to the names and addresses of the Holders of Bearer Securities of all series; PROVIDED, however, that the Company shall have no obligation to investigate any matter relating to any Holders of Bearer Securities of any series.

Section 7.02. PRESERVATION OF INFORMATION; COMMUNICATION TO HOLDERS.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 7.01 received by it in the capacity of Paying Agent (if so acting) hereunder, and filed with it within the two preceding years pursuant to Section 7.03(c)(2).

The Trustee may destroy any list furnished to it as provided in Section 7.01 upon receipt of a new list so furnished, destroy any information received by it as Paying Agent (if so acting) hereunder upon delivering to itself as Trustee, not earlier than 45 days after an Interest Payment Date, a list containing the names and addresses of the Holders obtained from such information since the delivery of the next previous list, if any, destroy any list delivered to itself as Trustee which was compiled from information received by it as Paying Agent (if so acting) hereunder upon the receipt of a new list so delivered, and destroy, not earlier than two years after filing, any information filed with it pursuant to Section 7.03(c)(2).

(b) If three or more Holders (hereinafter referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Debt Security for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other Holders of Debt Securities of a particular series (in which case the applicants must hold Debt Securities of such series) or with all Holders of Debt Securities with respect to their rights under this Indenture or under the Debt Securities and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within five Business Days after the receipt of such application, at its election, either

(i) afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 7.02(a), or

(ii) inform such applicants as to the approximate number of Holders of Debt Securities of such series or of all Debt Securities, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 7.02(a), and as to the approximate cost of mailing to such Holders the form of proxy or other communication, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon written request of such applicants, mail to the Holders of Debt Securities of such series or all Holders, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 7.02(a), a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the

61

Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five Business Days after such tender, the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Holders of Debt Securities of such series or all Holders, as the case may be, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Holders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Every Holder of Debt Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with Section 7.02(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing of any material pursuant to a request made under Section 7.02(b).

Section 7.03. REPORTS BY TRUSTEE.

(a) Within 60 days after April 15 of each year, commencing with the first April 15 after the first issuance of Debt Securities pursuant to this Indenture, the Trustee shall, to the extent required by the Trust Indenture Act, transmit to all Holders of Debt Securities of any series with respect to which it acts as Trustee, in the manner hereinafter provided in this Section 7.03, a brief report dated such date with respect to any of the following events which may have occurred within the previous 12 months (but if no such event has occurred within such period, no report need be transmitted):

- (1) any change to its eligibility under Section 6.09 and its qualifications under Section 6.08;
- (2) the creation of or any material change to a relationship specified in paragraph (1) through (10) of Section 6.08(c) of this Indenture;
- (3) the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Debt Securities of such series, on any property or funds held or collected by it as Trustee, except that the Trustee shall not be required (but may elect) to report such advances if such advances so remaining unpaid aggregate not more than 1/2 of 1% of the principal amount of the Outstanding Debt Securities of such series on the date of such report;
- (4) any change to the amount, interest rate and maturity date of all other indebtedness owing by the Company (or any other obligor on the Debt Securities of such series) to the Trustee in its individual capacity, on the date of such report, with a brief description of any property held as collateral security therefor, except an indebtedness based upon a creditor relationship arising in any manner described in Section 6.13(b)(2), (3), (4) or (6);

62

- (5) any change to the property and funds, if any, physically in the possession of the Trustee as such on the date of such report;
- (6) any additional issue of Debt Securities which the Trustee has not previously reported; and
- (7) any action taken by the Trustee in the performance of its duties hereunder which it has not previously reported and which, in its opinion, materially affects the Debt Securities of such series, except action in respect of a default, notice of which has been or is to be withheld by the Trustee in accordance with Section 6.02.

(b) The Trustee shall transmit by mail to all Holders of Debt Securities of any series (whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 7.02 (a)) for which it acts as the Trustee, as hereinafter provided, a brief report with respect to the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) since the date of the last report transmitted pursuant to subsection (a) of this Section (or if no such report has yet been so transmitted, since the date of execution of this instrument) for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Debt Securities of such series, on property or funds held or collected by it as Trustee, and which it has not previously reported pursuant to this subsection, except that the Trustee for each series shall not be required (but may elect) to report such advances if such advances remaining unpaid at any time aggregate 10% or less of the principal amount of the Debt Securities of such series Outstanding at such time, such report to be transmitted within 90 days after such time.

(c) Reports pursuant to this Section 7.03 shall be transmitted by mail:

- (1) to all Holders of Registered Securities, as the names and addresses of such Holders of Registered Securities appear in the Security Register;
- (2) to such Holders of Bearer Securities of any series as have, within two years preceding such transmission, filed their names and addresses with the Trustee for such series for that purpose; and
- (3) except in the cases of reports pursuant to subsection (b) of this Section 7.03, to each Holder of a Debt Security of any series whose name and address appear in the information preserved at the time by the Trustee in accordance with Section 7.02(a).

(d) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which any Debt Securities of such series are listed, with the Commission and also with the Company. The Company will notify the Trustee when any series of Debt Securities are listed on any stock exchange.

Section 7.04. REPORTS BY COMPANY.

Unless otherwise specified with respect to a particular series of Debt Securities pursuant to Section 3.01, the Company will file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended.

63

ARTICLE EIGHT

CONCERNING THE HOLDERS

Section 8.01. ACTS OF HOLDERS.

Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent or proxy duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. For purposes of this Indenture, any action by the Holders to be taken in writing may be taken by electronic means or as otherwise reasonably acceptable to the Trustee. Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of the Outstanding Debt Securities of any series may take any

Act, the fact that the Holders of such specified percentage have joined therein may be evidenced (a) by the instrument or instruments executed by Holders in person or by agent or proxy appointed in writing, or (b) by the record of Holders voting in favor thereof at any meeting of such Holders duly called and held in accordance with the provisions of Article Nine, or (c) by a combination of such instrument or instruments and any such record of such a meeting of Holders.

Section 8.02. PROOF OF OWNERSHIP; PROOF OF EXECUTION OF INSTRUMENTS BY HOLDER.

The ownership of Registered Securities of any series shall be proved by the Security Register for such series or by a certificate of the Security Registrar for such series.

The ownership of Bearer Securities shall be proved by production of such Bearer Securities or by a certificate executed by any bank or trust company, which certificate shall be dated and shall state that, on the date thereof, a Bearer Security bearing a specified identifying number or other mark was deposited with, or exhibited to, the person executing such certificate by the Person named in such certificate, or by any other proof of possession reasonably satisfactory to the Trustee. The holding by the Person named in any such certificate of any Bearer Security specified therein shall be presumed to continue for a period of one year unless at the time of determination of such holding (1) another certificate bearing a later date issued in respect of the same Bearer Security shall be produced, (2) such Bearer Security shall be produced by some other Person, (3) such Bearer Security shall have been registered on the Security Register, if, pursuant to Section 3.01, such Bearer Security can be so registered, or (4) such Bearer Security shall have been canceled or paid.

Subject to the provisions of Sections 6.01, 6.03 and 9.05, proof of the execution of a writing appointing an agent or proxy and of the execution of any instrument by a Holder or his agent or proxy shall be sufficient and conclusive in favor of the Trustee and the Company if made in the following manner:

The fact and date of the execution by any such person of any instrument may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the Person executing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer. Where such execution

64

is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, as the case may be, or by any other Person acting in a representative capacity, such certificate or affidavit shall also constitute sufficient proof of his authority.

The record of any Holders' meeting shall be proved in the manner provided in Section 9.06.

The Trustee may in any instance require further proof with respect to any of the matters referred to in this Section so long as the request is a reasonable one.

Section 8.03. PERSONS DEEMED OWNERS.

The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name any Registered Security is registered as the owner of such Registered Security for the purpose of receiving payment of the principal of (and premium, if any) and (subject to Section 3.07) interest, if any, on such Registered Security and for all other purposes whatsoever, whether or not such Registered Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary. The Company, the Trustee, and any agent of the Company or the Trustee may treat the Holder of any Bearer Security or of any Coupon as the absolute owner of such Bearer Security or Coupon for the purposes of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not such Bearer Security or Coupon be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary. All payments made to any Holder, or upon his order, shall be valid, and, to the extent of the sum or sums paid, effectual to satisfy and discharge the liability for moneys payable upon such Debt Security or Coupon.

Section 8.04. REVOCATION OF CONSENTS; FUTURE HOLDERS BOUND.

At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 8.01, of the taking of any Act by the Holders of the percentage in aggregate principal amount of the Outstanding Debt Securities specified in this Indenture in connection with such Act, any Holder of a Debt Security the number, letter or other distinguishing symbol of which is shown by the evidence to be included in the Debt Securities the Holders of which have consented to such Act may, by filing written notice with the Trustee at the Corporate Trust Office and upon proof of ownership as provided in Section 8.02, revoke such Act so far as it concerns such Debt Security. Except as aforesaid, any such Act taken by the Holder of any Debt Security shall be conclusive and binding upon such Holder and, subject to the provisions of Section 5.08, upon all future Holders of such Debt Security and all past, present and future Holders of Coupons, if any, appertaining thereto and of any Debt Securities and Coupons issued on transfer or in lieu thereof or in exchange or substitution therefor, irrespective of whether or not any notation in regard thereto is made upon such Debt Security or Coupons or such other Debt Securities or Coupons.

ARTICLE NINE

HOLDERS' MEETINGS

Section 9.01. PURPOSES OF MEETINGS.

A meeting of Holders of any or all series may be called at any time and from time to time pursuant to the provisions of this Article Nine for any of the following purposes:

65

(1) to give any notice to the Company or to the Trustee for such series, or to give any directions to the Trustee for such series, or to consent to the waiving of any default hereunder and its consequences, or to take any other action authorized to be taken by Holders pursuant to any

of the provisions of Article Five;

- (2) to remove the Trustee for such series and appoint a successor Trustee pursuant to the provisions of Article Six;
- (3) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 11.02; or
- (4) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Outstanding Debt Securities of any one or more or all series, as the case may be, under any other provision of this Indenture or under applicable law.

Section 9.02. CALL OF MEETINGS BY TRUSTEE.

The Trustee for any series may at any time call a meeting of Holders of such series to take any action specified in Section 9.01, to be held at such time or times and at such place or places as the Trustee for such series shall determine. Notice of every meeting of the Holders of any series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given to Holders of such series in the manner and to the extent PROVIDED in Section 1.05. Such notice shall be given not less than 10 days nor more than 90 days prior to the date fixed for the meeting.

Section 9.03. CALL OF MEETINGS BY COMPANY OR HOLDERS.

In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% in aggregate principal amount of the Outstanding Debt Securities of a series or of all series, as the case may be, shall have requested the Trustee for such series to call a meeting of Holders of any or all such series by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have given the notice of such meeting within 10 days after the receipt of such request, then the Company or such Holders may determine the time or times and the place or places for such meetings and may call such meetings to take any action authorized in Section 9.01, by giving notice thereof as PROVIDED in Section 9.02.

Section 9.04. QUALIFICATIONS FOR VOTING.

To be entitled to vote at any meeting of Holders a Person shall be (a) a Holder of a Debt Security of the series with respect to which such meeting is being held or (b) a Person appointed by an instrument in writing as agent or proxy by such Holder. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee for the series with respect to which such meeting is being held and its counsel and any representatives of the Company and its counsel.

Section 9.05. REGULATIONS.

Notwithstanding any other provisions of this Indenture, the Trustee for any series may make such reasonable regulations as it may deem advisable for any meeting of Holders of such series, in

regard to proof of the holding of Debt Securities of such series and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of such series as provided in Section 9.03, in which case the Company or the Holders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by at least a majority vote of the meeting.

Subject to the provisos in the definition of "Outstanding," at any meeting each Holder of a Debt Security of the series with respect to which such meeting is being held or proxy therefor shall be entitled to one vote for each \$1,000 principal amount (or such other amount as shall be specified as contemplated by Section 3.01) of Debt Securities of such series held or represented by such Holder PROVIDED, HOWEVER, that no vote shall be cast or counted at any meeting in respect of any Debt Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Outstanding Debt Securities of such series held by him or her or instruments in writing duly designating him or her as the person to vote on behalf of Holders of Debt Securities of such series. Any meeting of Holders with respect to which a meeting was duly called pursuant to the provisions of Section 9.02 or 9.03 may be adjourned from time to time by at least a majority of such Holders present and the meeting may be held as so adjourned without further notice.

Section 9.06. VOTING.

The vote upon any resolution submitted to any meeting of Holders with respect to which such meeting is being held shall be by written ballots on which shall be subscribed the signatures of such Holders or of their representatives by proxy and the serial number or numbers of the Debt Securities held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders shall be taken and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was transmitted as provided in Section 9.02. The record shall show the serial numbers of the Debt Securities voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 9.07. NO DELAY OF RIGHTS BY MEETING.

Nothing contained in this Article Nine shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Holders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon

or reserved to the Trustee or to any Holder under any of the provisions of this Indenture or of the Debt Securities of any series.

ARTICLE TEN

MERGER, CONSOLIDATION, OR SALE OF ASSETS

Section 10.01. COMPANY MAY CONSOLIDATE, MERGE OR SELL ITS ASSETS ONLY ON CERTAIN TERMS.

The Company shall not consolidate or merge with or into or sell, assign, transfer, convey or otherwise dispose of its properties and assets substantially in their entirety (computed on a consolidated basis) to, any Person, unless:

(1) either (a) in the case of a merger or consolidation, the Company is the surviving corporation or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sales, assignment, transfer, conveyance or other disposition shall have been made is an entity organized or existing under the laws of the United States, any state thereof, the District of Columbia, or any territory thereof and expressly assumes all the obligations of the Company under this Indenture and all outstanding Notes and the collateral documents pursuant to a supplemental indenture or other documents or instruments in form reasonably satisfactory to the Trustee under the Notes and this Indenture; and

(2) immediately after such transaction, no Event of Default or Default shall exist.

Section 10.02. SUCCESSOR CORPORATION SUBSTITUTED.

Upon any consolidation or merger, or any sale, assignment, transfer, conveyance or other disposition of the properties and assets of the Company substantially in their entirety in accordance with Section 10.01 hereof, the successor Person formed by such consolidation or into which the Company is merged or to which such sale, assignment, transfer, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the successor Person and not to the Company), and may exercise every right and power of the Company herein.

ARTICLE ELEVEN

SUPPLEMENTAL INDENTURES

Section 11.01. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form reasonably satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another corporation to the rights of the Company and the assumption by such successor of the covenants and obligations of the Company contained herein and in the Debt Securities; or

68

(2) to add to the covenants for the benefit of the Holders of all or any series of Debt Securities (and if such covenants are to be for the benefit of less than all series, stating that such covenants are expressly being included solely for the benefit of such series), or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default (and if such Events of Default are to be applicable to less than all series, stating that such Events of Default are expressly being included solely to be applicable to such series); or

(4) to add or change any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the issuance of Debt Securities of any series in bearer form, registrable or not registrable, and with or without Coupons, to permit Bearer Securities to be issued in exchange for Registered Securities, to permit Bearer Securities to be issued in exchange for Bearer Securities of other authorized denominations or to permit the issuance of Debt Securities of any series in uncertificated form, PROVIDED that any such action shall not adversely affect the interests of the Holders of Debt Securities of any series or any related Coupons in any material respect; or

(5) to change or eliminate any of the provisions of this Indenture, PROVIDED that any such change or elimination shall become effective only when there is no Outstanding Debt Security or Coupon of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision and as to which such supplemental indenture would apply; or

(6) to secure the Debt Securities or to provide that any of the Company's obligations under any series of the Debt Securities or this Indenture shall be guaranteed and the terms and conditions for the release or substitution of such security or guarantee; or

(7) to supplement any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of Debt Securities pursuant to Article Four or Fifteen, PROVIDED that any such action shall not adversely affect the interests of the Holders of Debt Securities of such series or any other series of Debt Securities or any related Coupons in any material respect; or

(8) to establish the form or terms of Debt Securities and Coupons, if any, of any series as permitted by Sections 2.01 and 3.01; or

(9) to evidence and provide for the acceptance of appointment hereunder by a successor or other Trustee with respect to one or more series of Debt Securities, and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee; or

(10) to comply with the requirements of the Commission in connection with the qualification of this Indenture under the Trust Indenture Act;

(11) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein or to make any other provisions which shall not be inconsistent with any provision of this Indenture; PROVIDED such other provisions shall not adversely affect the interests of the Holders of Outstanding Debt Securities

69

or Coupons, if any, of any series created prior to the execution of such supplemental indenture in any material respect.

Section 11.02. SUPPLEMENTAL INDENTURES WITH CONSENT OF HOLDERS.

With the consent of the Holders of not less than at least a majority in principal amount of the Outstanding Debt Securities of each series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture of such Debt Securities and Coupons, if any; PROVIDED, HOWEVER, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Debt Security of each such series affected thereby,

(1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Debt Security, or reduce the principal amount thereof or the rate (or extend the time for payment) of interest thereon or any premium payable upon redemption thereof or change the Stated Maturity of or reduce the amount of any payment to be made with respect to any Coupon, or change the Currency or Currencies in which the principal of (and premium, if any) or interest on such Debt Security is denominated or payable, or reduce the amount of the principal of a Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.02, or impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or alter any redemption provisions in a manner adverse to the Holders of such series of Debt Securities or adversely affect the right to convert any Debt Security into shares of Common Stock or other securities or property of the Company as may be PROVIDED pursuant to Section 3.01; or

(2) reduce the percentage in principal amount of the Outstanding Debt Securities of any series, the consent of whose Holders is required for any supplemental indenture, or the consent of whose Holders is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences provided for in this Indenture; or

(3) modify any of the provisions of this Section, Section 5.13, or Section 12.06, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Debt Security of each series affected thereby; PROVIDED, HOWEVER, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to "the Trustee" and concomitant changes in this Section, or the deletion of this proviso, in accordance with the requirements of Sections 6.11 and 11.01(9).

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture with respect to one or more particular series of Debt Securities and Coupons, if any, or which modifies the rights of the Holders of Debt Securities and Coupons of such series with respect to

70

such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Debt securities and Coupons, if any, of any other series.

Section 11.03. EXECUTION OF SUPPLEMENTAL INDENTURES.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 6.01) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise in a material way.

Section 11.04. EFFECT OF SUPPLEMENTAL INDENTURES.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Debt Securities and Coupons theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 11.05. CONFORMITY WITH TRUST INDENTURE ACT.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

Section 11.06. REFERENCE IN DEBT SECURITIES TO SUPPLEMENTAL INDENTURES.

Debt Securities and Coupons, if any, of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall, if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Debt Securities and Coupons of any series so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Debt Securities and Coupons of such series.

ARTICLE TWELVE

COVENANTS

Section 12.01. PAYMENT OF PRINCIPAL, PREMIUM AND INTEREST.

The Company covenants and agrees for the benefit of each series of Debt Securities and Coupons, if any, that it will duly and punctually pay the principal of (and premium, if any) and interest on the Debt Securities in accordance with the terms of the Debt Securities, the Coupons and this Indenture. Unless otherwise specified as contemplated by Section 3.01 with respect to any series of Debt Securities or except as otherwise provided in Section 3.06, any interest due on Bearer Securities on or before Maturity shall be payable only upon presentation and surrender of the several Coupons for such interest installments as are evidenced thereby as they severally mature. If so provided in the terms of any series of Debt Securities established as provided in Section 3.01, the interest, if any, due in respect of any

71

temporary Global Note or permanent Global Note, together with any additional amounts payable in respect thereof, as provided in the terms and conditions of such Debt Security, shall be payable only upon presentation of such Debt Security to the Trustee for notation thereon of the payment of such interest.

Section 12.02. OFFICER'S CERTIFICATE AS TO COMPLIANCE.

Unless otherwise specifically provided for with respect to any series of Debt Securities under Section 3.01, the Company will deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate of the principal executive officer, principal financial officer or principal accounting officer of the Company stating whether or not, to the knowledge of the signer thereof, the Company is in compliance with all covenants and conditions under this Indenture, and, in the event of any noncompliance, specifying such noncompliance and the nature and status thereof of which such signer may have knowledge. For purposes of this Section, such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture.

Section 12.03. MAINTENANCE OF OFFICE OR AGENCY.

If Debt Securities of a series are issuable only as Registered Securities, the Company will maintain in each Place of Payment for such series an office or agency where Debt Securities of that series may be presented or surrendered for payment, where Debt Securities of that series may be surrendered for registration of transfer or exchange, where Debt Securities of that series that are convertible may be surrendered for conversion, if applicable, and where notices and demands to or upon the Company in respect of the Debt Securities of that series and this Indenture may be served. If Debt Securities of a series are issuable as Bearer Securities, the Company will maintain (A) in the Borough of Manhattan, the City and State of New York, an office or agency where any Registered Securities of that series may be presented or surrendered for payment, where any Registered Securities of that series may be surrendered for registration of transfer, where Debt Securities of that series may be surrendered for exchange or redemption, where notices and demands to or upon the Company in respect of the Debt Securities of that series and this Indenture may be served and where Bearer Securities of that series and related Coupons may be presented or surrendered for payment in the circumstances described in the following paragraph (and not otherwise), (B) subject to any laws or regulations applicable thereto, in a Place of Payment for that series which is located outside the United States, an office or agency where Debt Securities of that series and related Coupons may be presented and surrendered for payment (including payment of any additional amounts payable on Debt Securities of that series, if so PROVIDED pursuant to Section 3.01); PROVIDED, HOWEVER, that if the Debt Securities of that series are listed on The Stock Exchange of the United Kingdom and the Republic of Ireland, the Luxembourg Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, the Company will maintain a Paying Agent for the Debt Securities of that series in London, Luxembourg or any other required city located outside the United States, as the case may be, so long as the Debt Securities of that series are listed on such exchange, and (C) subject to any laws or regulations applicable thereto, in a Place of Payment for that series located outside the United States an office or agency where any Registered Securities of that series may be surrendered for registration of transfer, where Debt Securities of that series may be surrendered for exchange or redemption and where notices and demands to or upon the Company in respect of the Debt Securities of that series and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee (in the case of Registered Securities) and at the principal London office of the Trustee (in the case of Bearer Securities),

72

and the Company hereby appoints the Trustee as its agent to receive all presentations, surrenders, notices and demands.

No payment of principal, premium or interest on Bearer Securities shall be made at any office or agency of the Company in the United States or by check mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States; PROVIDED, HOWEVER, that, if the Debt Securities of a series are denominated and payable in Dollars, payment of principal of and any premium and interest on Debt Securities (including any additional amounts payable on Securities of such series, if so PROVIDED pursuant to Section 3.01) shall be made at the office of the Company's Paying Agent in the Borough of Manhattan, the City and State of New York, if (but only if) payment in Dollars of the full amount of such

principal, premium, interest or additional amounts, as the case may be, at all offices or agencies outside the United States maintained for the purpose by the Company in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Company may also from time to time designate different or additional offices or agencies to be maintained for such purposes (in or outside of such Place of Payment), and may from time to time rescind any such designations; PROVIDED, HOWEVER, that no such designation or rescission shall in any manner relieve the Company of its obligations described in the preceding paragraph. The Company will give prompt written notice to the Trustee of any such additional designation or rescission of designation and any change in the location of any such different or additional office or agency.

Section 12.04. MONEY FOR DEBT SECURITIES; PAYMENTS TO BE HELD IN TRUST.

If the Company shall at any time act as its own Paying Agent with respect to any series of Debt Securities and Coupons, if any, it will, on or before each due date of the principal of (and premium, if any) or interest on any of the Debt Securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein PROVIDED, and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents with respect to any series of Debt Securities and Coupons, it will, by or on each due date of the principal (and premium, if any) or interest on any Debt Securities of such series, deposit with any such Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled thereto, and (unless any such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent with respect to any series of Debt Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

- (1) hold all sums held by it for the payment of the principal of (and premium, if any) or interest on Debt Securities of such series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;
- (2) give the Trustee notice of any default by the Company (or any other obligor upon the Debt Securities of such series) in the making of any payment of principal (and premium, if any) or interest on the Debt Securities of such series; and

73

- (3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest on any Debt Security of any series and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company upon Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Debt Security or Coupon shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; PROVIDED, HOWEVER, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be transmitted in the manner and to the extent provided by Section 1.05, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 12.05. CORPORATE EXISTENCE.

Other than as provided in Article Ten, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence; PROVIDED, HOWEVER, that the Company shall not be required to preserve its corporate existence if the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company.

Section 12.06. WAIVER OF CERTAIN COVENANTS.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in Sections 12.01 and 12.03 through 12.05 (and, if so specified pursuant to Section 3.01, any other covenant not set forth herein and specified pursuant to Section 3.01 to be applicable to the Debt Securities of any series, except as otherwise provided pursuant to Section 3.01) with respect to the Debt Securities of any series if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Debt Securities of such series shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent expressly so waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

74

ARTICLE THIRTEEN

REDEMPTION OF DEBT SECURITIES

Section 13.01. APPLICABILITY OF ARTICLE.

Debt Securities of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified pursuant to Section 3.01 for Debt Securities of any series) in accordance with this Article.

Section 13.02. ELECTION TO REDEEM; NOTICE TO TRUSTEE.

The election of the Company to redeem any Debt Securities shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company of less than all of the Debt Securities of any series pursuant to Section 13.03, the Company shall, at least 45 days before the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Debt Securities of such series to be redeemed. In the case of any redemption of Debt Securities prior to the expiration of any restriction on such redemption provided in the terms of such Debt Securities or elsewhere in this Indenture, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restrictions.

Section 13.03. SELECTION BY TRUSTEE OF DEBT SECURITIES TO BE REDEEMED.

Except in the case of a redemption in whole of the Bearer Securities or the Registered Securities of such series, if less than all the Debt Securities of any series are to be redeemed at the election of the Company, the particular Debt Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Debt Securities of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Debt Securities of such series or any integral multiple thereof) of the principal amount of Debt Securities of such series in a denomination larger than the minimum authorized denomination for Debt Securities of such series pursuant to Section 3.02 in the Currency in which the Debt Securities of such series are denominated. The portions of the principal amount of Debt Securities so selected for partial redemption shall be equal to the minimum authorized denominations for Debt Securities of such series pursuant to Section 3.02 in the Currency in which the Debt Securities of such series are denominated or any integral multiple thereof, except as otherwise set forth in the applicable form of Debt Securities. In any case when more than one Registered Security of such series is registered in the same name, the Trustee, in its discretion, may treat the aggregate principal amount so registered as if it were represented by one Registered Security of such series.

The Trustee shall promptly notify the Company and the Security Registrar (if other than itself) in writing of the Debt Securities selected for redemption and, in the case of any Debt Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Debt Securities shall relate, in the case of any Debt Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Debt security which has been or is to be redeemed.

75

Section 13.04. NOTICE OF REDEMPTION.

Notice of redemption shall be given by the Company, or at the Company's request, by the Trustee in the name and at the expense of the Company, not less than 30 days and not more than 60 days prior to the Redemption Date to the Holders of Debt Securities of any series to be redeemed in whole or in part pursuant to this Article Thirteen, in the manner provided in Section 1.05. Any notice so given shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. Failure to give such notice, or any defect in such notice to the Holder of any Debt Security of a series designated for redemption, in whole or in part, shall not affect the sufficiency of any notice of redemption with respect to the Holder of any other Debt Security of such series.

All notices of redemption shall state:

- (1) the Redemption Date,
- (2) the Redemption Price,
- (3) that Debt Securities of such series are being redeemed by the Company pursuant to provisions contained in this Indenture or the terms of the Debt Securities of such series or a supplemental indenture establishing such series, if such be the case, together with a brief statement of the facts permitting such redemption,
- (4) if less than all Outstanding Debt Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Debt Securities to be redeemed,
- (5) that on the Redemption Date the Redemption Price will become due and payable upon each such Debt Security to be redeemed, and that interest thereon, if any, shall cease to accrue on and after said date,
- (6) that, unless otherwise specified in such notice, Coupon Securities of any series, if any, surrendered for redemption must be accompanied by all Coupons maturing subsequent to the date fixed for redemption, failing which the amount of any such missing Coupon or Coupons will be deducted from the Redemption Price,
- (7) the Place or Places of Payment where such Debt Securities are to be surrendered for payment of the Redemption Price,
- (8) if Bearer Securities of any series are to be redeemed and any Registered Securities of such series are not to be redeemed, and if such Bearer Securities may be exchanged for Registered Securities not subject to redemption on this Redemption Date pursuant to Section 3.05(b) or otherwise, the last date on which such exchanges may be made, and
- (9) that the redemption is for a sinking fund, if such is the case.

76

Section 13.05. DEPOSIT OF REDEMPTION PRICE.

On or prior to the Redemption Date for any Debt Securities, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 12.04) an amount of money in the Currency or Currencies in which such Debt Securities are denominated (except as provided pursuant to Section 3.01) sufficient to pay the Redemption Price of such Debt Securities or any portions thereof which are to be redeemed on that date.

Section 13.06. DEBT SECURITIES PAYABLE ON REDEMPTION DATE.

Notice of redemption having been given as aforesaid, any Debt Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price in the Currency in which the Debt Securities of such series are payable (except as otherwise specified pursuant to Section 3.01 or 3.10), and from and after such date (unless the Company shall default in the payment of the Redemption Price) such Debt Securities shall cease to bear interest. Upon surrender of any such Debt Security for redemption in accordance with said notice, such Debt Security shall be paid by the Company at the Redemption Price; PROVIDED, HOWEVER, that installments of interest on Bearer Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable only at an office or agency located outside the United States (except as otherwise provided in Section 12.03) and, unless otherwise specified as contemplated by Section 3.01, only upon presentation and surrender of Coupons for such interest; and PROVIDED, FURTHER, that, unless otherwise specified as contemplated by Section 3.01, installments of interest on Registered Securities which have a Stated Maturity on or prior to the Redemption Date for such Debt Securities shall be payable according to the terms of such Debt Securities and the provisions of Section 3.07.

If any Debt Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Debt Security.

If any Coupon Security surrendered for redemption shall not be accompanied by all Coupons appertaining thereto maturing on or after the Redemption Date, the Redemption Price for such Coupon Security may be reduced by an amount equal to the face amount of all such missing Coupons. If thereafter the Holder of such Coupon shall surrender to any Paying Agent outside the United States any such missing Coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted. The surrender of such missing Coupon or Coupons may be waived by the Company and the Trustee, if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless.

Section 13.07. DEBT SECURITIES REDEEMED IN PART.

Any Debt Security which is to be redeemed only in part shall be surrendered at the Corporate Trust Office or such other office or agency of the Company as is specified pursuant to Section 3.01 (in the case of Registered Securities) and at an office of the Trustee or such other office or agency of the Company outside the United States as is specified pursuant to Section 3.01 (in the case of Bearer Securities) with, if the Company, the Security Registrar or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company, the Security Registrar and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing, and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Debt Security without service charge, a new Debt Security or Debt Securities of the same series, of like tenor

and form, of any authorized denomination as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Debt Security so surrendered, and, in the case of a Coupon Security, with appropriate Coupons attached. In the case of a Debt Security providing appropriate space for such notation, at the option of the Holder thereof, the Trustee, in lieu of delivering a new Debt Security or Debt Securities as aforesaid, may make a notation on such Debt Security of the payment of the redeemed portion thereof.

ARTICLE FOURTEEN

SINKING FUNDS

Section 14.01. APPLICABILITY OF ARTICLE.

The provisions of this Article shall be applicable to any sinking fund for the retirement of Debt Securities of a series except as otherwise specified pursuant to Section 3.01 for Debt Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Debt Securities of any series is herein referred to as a "mandatory sinking fund payment," and any payment in excess of such minimum amount provided for by the terms of Debt Securities of any series is herein referred to as an "optional sinking fund payment." If provided for by the terms of Debt Securities of any series, the amount of any cash sinking fund payment may be subject to reduction as provided in Section 14.02. Each sinking fund payment shall be applied to the redemption of Debt Securities of any series as provided for by the terms of Debt Securities of such series.

Section 14.02. SATISFACTION OF MANDATORY SINKING FUND PAYMENTS WITH DEBT SECURITIES.

In lieu of making all or any part of a mandatory sinking fund payment with respect to any Debt Securities of a series in cash, the Company may at its option, at any time no more than sixteen months and no less than 45 days prior to the date on which such sinking fund payment is due, deliver to the Trustee Debt Securities of such series (together with the unmatured Coupons, if any, appertaining thereto) theretofore purchased or otherwise acquired by the Company, except Debt Securities of such series which have been redeemed through the application of mandatory sinking fund payments pursuant to the terms of the Debt Securities of such series, accompanied by a Company Order instructing the Trustee to credit such obligations and stating that the Debt Securities of such series were originally issued by the Company by way of bona fide sale or other negotiation for value, PROVIDED that such Debt Securities shall not have been previously so credited. Such Debt Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Debt Securities for redemption through operation of the sinking fund and the amount of such mandatory sinking fund payment shall be reduced accordingly.

Not less than 60 days prior to each sinking fund payment date for any series of Debt Securities (unless a shorter period shall be satisfactory to the Trustee), the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash in the Currency or Currencies in which the Debt Securities of such series are denominated (except as PROVIDED pursuant to Section 3.01) and the portion thereof, if any, which is to be satisfied

78

by delivering and crediting Debt Securities of such series pursuant to Section 14.02 and whether the Company intends to exercise its rights to make a permitted optional sinking fund payment with respect to such series. Such certificate shall be irrevocable and, upon its delivery, the Company shall be obligated to make the cash payment or payments therein referred to, if any, on or before the next succeeding sinking fund payment date. In the case of the failure of the Company to deliver such certificate, the sinking fund payment due on the next succeeding sinking fund payment date for such series shall be paid entirely in cash and shall be sufficient to redeem the principal amount of the Debt Securities of such series subject to a mandatory sinking fund payment without the right to deliver or credit Debt Securities as provided in Section 14.02 and without the right to make any optional sinking fund payment with respect to such series at such time.

Any sinking fund payment or payments (mandatory or optional) made in cash plus any unused balance of any preceding sinking fund payments made with respect to the Debt Securities of any particular series shall be applied by the Trustee (or by the Company if the Company is acting as its own Paying Agent) on the sinking fund payment date on which such payment is made (or, if such payment is made before a sinking fund payment date, on the sinking fund payment date immediately following the date of such payment) to the redemption of Debt Securities of such series at the Redemption Price specified in such Debt Securities with respect to the sinking fund. Any sinking fund moneys not so applied or allocated by the Trustee (or by the Company if the Company is acting as its own Paying Agent) to the redemption of Debt Securities shall be added to the next sinking fund payment received by the Trustee (or if the Company is acting as its own Paying Agent, segregated and held in trust as provided in Section 12.04) for such series and, together with such payment (or such amount so segregated) shall be applied in accordance with the provisions of this Section. Any and all sinking fund moneys with respect to the Debt Securities of any particular series held by the Trustee (or if the Company is acting as its own Paying Agent, segregated and held in trust as provided in Section 12.04) on the last sinking fund payment date with respect to Debt Securities of such series and not held for the payment or redemption of particular Debt Securities of such series shall be applied by the Trustee (or by the Company if the Company is acting as its own Paying Agent), together with other moneys, if necessary, to be deposited (or segregated) sufficient for the purpose, to the payment of the principal of the Debt Securities of such series at Maturity.

The Trustee shall select or cause to be selected the Debt Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 13.03 and the Company shall cause notice of the redemption thereof to be given in the manner provided in Section 13.04. Such notice having been duly given, the redemption of such Debt Securities shall be made upon the terms and in the manner stated in Section 13.06.

On or before each sinking fund payment date, the Company shall pay to the Trustee (or, if the Company is acting as its own Paying Agent, the Company shall segregate and hold in trust as provided in Section 12.04) in cash a sum, in the Currency or Currencies in which Debt Securities of such series are denominated (except as provided pursuant to Sections 3.01 or 3.10), equal to the principal and any interest accrued to the Redemption Date for Debt Securities or portions thereof to be redeemed on such sinking fund payment date pursuant to this Section.

79

ARTICLE FIFTEEN

DEFEASANCE

Section 15.01. APPLICABILITY OF ARTICLE.

Except as otherwise provided in Section 15.02 or as provided pursuant to Section 3.01 with respect to a particular series of Debt Securities, the Company may terminate its obligations under the Debt Securities of any series and this Indenture with respect to Debt Securities of such series as set forth in Section 15.02.

Section 15.02. DEFEASANCE UPON DEPOSIT OF MONEYS OR U.S. GOVERNMENT OBLIGATIONS.

At the Company's option, either (a) the Company shall be deemed to have been Discharged (as defined below) from its obligations with respect to Debt Securities of any series ("legal defeasance option") or (b) the Company shall cease to be under any obligation to comply with any term, provision or condition set forth in Section 10.01 with respect to Debt Securities of any series (and, if so specified pursuant to Section 3.01, any other obligation of the Company or restrictive covenant added for the benefit of such series pursuant to Section 3.01) ("covenant defeasance option") at any time after the applicable conditions set forth below have been satisfied:

(1) The Company shall have deposited or caused to be deposited irrevocably with the Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of the Debt Securities of such series (i) money in an amount, or (ii) U.S. Government Obligations (as defined below) which through the payment of interest and principal in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (iii) a combination of (i) and (ii), sufficient, in the opinion (with respect to (i) and (ii)) of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge each installment of principal (including any mandatory sinking fund payments) of and premium, if any, and interest on, the Outstanding Debt Securities of such series on the dates such installments of interest or principal and premium are due;

(2) Such deposit shall not cause the Trustee with respect to the Debt Securities of that series to have a conflicting interest as defined in Section 6.08 and for purposes of the Trust Indenture Act with respect to the Debt Securities of any series;

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

(4) No Event of Default or Default with respect to the Debt Securities of such series shall have occurred and be continuing on the date of such deposit and, with respect to the legal defeasance option only, no Event of Default under Section 5.01(5) or Section 5.01(6) or event which with the giving of notice or lapse of time, or both, would become an Event of Default under Section 5.01(5) or Section 5.01(6) shall have occurred and be continuing on the 91st day after such date; and

80

(5) The Company shall have delivered to the Trustee an Opinion of Counsel or a ruling from the Internal Revenue Service to the effect that the Holders of the Debt Securities of such series will not recognize income, gain or loss for United States Federal income tax purposes as a result of such deposit, defeasance or Discharge.

Notwithstanding the foregoing, if the Company exercises its covenant defeasance option and an Event of Default under Section 5.01(5) or Section 5.01(6) or event which, with the giving of notice or lapse of time, or both, would become an Event of Default under Section 5.01(5) or Section 5.01(6) shall have occurred and be continuing on the 91st day after the date of such deposit, the obligations of the Company referred to under the definition of covenant defeasance option with respect to such Debt Securities shall be reinstated.

“Discharged” means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by, and obligations under, the Debt Securities of such series and to have satisfied all the obligations under this Indenture relating to the Debt Securities of such series (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), except (A) the rights of Holders of Debt Securities of such series to receive, from the trust fund described in clause (1) above, payment of the principal of (and premium, if any) and interest on such Debt Securities when such payments are due, (B) the Company’s obligations with respect to the Debt Securities of such series under Sections 3.04(a), 3.05, 3.06, 12.03 and 15.03 and (C) the rights, powers, trusts, duties and immunities of the Trustee hereunder.

“U.S. Government Obligations” means securities that are (i) direct obligations of the United States for the payment of which its full faith and credit is pledged, or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States, which, in either case under clauses (i) or (ii), are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

Section 15.03. DEPOSITED MONEYS AND U.S. GOVERNMENT OBLIGATIONS TO BE HELD IN TRUST.

All moneys and U.S. Government Obligations deposited with the Trustee pursuant to Section 15.02 in respect of Debt Securities of a series shall be held in trust and applied by it, in accordance with the provisions of such Debt Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Debt Securities, of all sums due and to become due thereon for principal (and premium, if any) and interest, if any, but such money need not be segregated from other funds except to the extent required by law.

Section 15.04. REPAYMENT TO COMPANY.

The Trustee and any Paying Agent shall promptly pay or return to the Company upon Company Request any moneys or U.S. Government Obligations held by them at any time that are not

81

required for the payment of the principal of (and premium, if any) and interest on the Debt Securities of any series for which money or U.S. Government Obligations have been deposited pursuant to Section 15.02.

The provisions of the last paragraph of Section 12.04 shall apply to any money held by the Trustee or any Paying Agent under this Article that remains unclaimed for two years after the Maturity of any series of Debt Securities for which money or U.S. Government Obligations have been deposited pursuant to Section 15.02.

ARTICLE SIXTEEN

CONVERSION

Section 16.01. APPLICABILITY; CONVERSION PRIVILEGE.

Except as otherwise specified pursuant to Section 3.01 for Debt Securities of any series, the provisions of this Article Sixteen shall be applicable to any Debt Securities that are convertible into Common Stock. If so provided pursuant to Section 3.01 with respect to the Debt Securities of any series, the Holder of a Debt Security of such series shall have the right, at such Holder’s option, to convert, in accordance with the terms of such series of Debt Securities and this Article Sixteen, all or any part (in a denomination of, unless otherwise specified pursuant to Section 3.01 with respect to Debt Securities of such series, \$1,000 in principal amount or any integral multiple thereof) of such Debt Security into shares of Common Stock or, as to any Debt Securities called for redemption, at any time prior to the time and date fixed for such redemption (unless the Company shall default in the payment of the Redemption Price, in which case such right shall not terminate at such time and date).

Section 16.02. CONVERSION PROCEDURE; CONVERSION PRICE; FRACTIONAL SHARES.

(a) Each Debt Security to which this Article is applicable shall be convertible at the office of the Conversion Agent, and at such other place or places, if any, specified pursuant to Section 3.01 with respect to the Debt Securities of such series, into fully paid and nonassessable shares (calculated to the nearest 1/100th of a share) of Common Stock. The Debt Securities will be converted into shares of Common Stock at the Conversion Price therefor. No payment or adjustment shall be made in respect of dividends on the Common Stock or accrued interest on a converted Debt Security except as described in Section 16.09. The Company may, but shall not be required, in connection with any conversion of Debt Securities, to issue a fraction of a share of Common Stock and, if the Company shall determine not to issue any such fraction, the Company shall, subject to Section 16.03(4), make a cash payment (calculated to the nearest cent) equal to such fraction multiplied by the Closing Price of the Common Stock on the last Trading Day prior to the date of conversion.

(b) Before any Holder of a Debt Security shall be entitled to convert the same into Common Stock, such Holder shall surrender such Debt Security duly endorsed to the Company or in blank, or, in the case of Bearer Securities, together with all unmatured Coupons and any matured Coupons in default attached thereto, at the office of the Conversion Agent or at such other place or places, if any, specified pursuant to Section 3.01 (in the case of Registered Securities) and at an office of the Conversion Agent or at such other place or places, if any, outside of the United States as is specified pursuant to Section 3.01 (in the case of Bearer Securities), and shall give written notice to the Company at said office or place that such Holder elects to convert the same and shall state in writing therein the principal amount of Debt Securities to be converted and the name or names (with addresses) in which

such Holder wishes the certificate or certificates for Common Stock to be issued; PROVIDED, HOWEVER, that no Debt Security or portion thereof shall be accepted for conversion unless the principal amount of such Debt Security or such portion, when added to the principal amount of all other Debt Securities or portions thereof then being surrendered by the Holder thereof for conversion, exceeds the then-effective Conversion Price with respect thereto. If the Holder of a Bearer Security is unable to produce any such unmatured Coupon or Coupons or matured Coupon or Coupons in default, then such conversion may be effected if the Bearer Securities to be surrendered for conversion are accompanied by payment in funds acceptable to the Company in an amount equal to the face amount of such missing Coupon or Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company and the Trustee if there is furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Bearer Security shall surrender to any Paying Agent any such missing Coupon in respect of which such a payment shall have been made, then such Holder shall be entitled to receive the amount of such payment; PROVIDED, HOWEVER, that, except as otherwise provided in Section 12.03, interest represented by Coupons shall be payable only upon presentation and surrender of those Coupons at an office or agency located outside the United States. If more than one Debt Security shall be surrendered for conversion at one time by the same Holder, the number of full shares of Common Stock which shall be deliverable upon conversion shall be computed on the basis of the aggregate principal amount of the Debt Securities (or specified portions thereof to the extent permitted thereby) so surrendered. Subject to the next succeeding sentence, the Company will, as soon as practicable thereafter, issue and deliver at said office or place to such Holder of a Debt Security, or to such Holder's nominee or nominees, certificates for the number of full shares of Common Stock to which such Holder shall be entitled as aforesaid, together, subject to the last sentence of paragraph (a) above, with cash in lieu of any fraction of a share to which such Holder would otherwise be entitled. The Company shall not be required to deliver certificates for shares of Common Stock while the stock transfer books for such stock or the Security Register are duly closed for any purpose, but certificates for shares of Common Stock shall be issued and delivered as soon as practicable after the opening of such books or Security Register. A Debt Security shall be deemed to have been converted as of the close of business on the date of the surrender of such Debt Security for conversion as provided above, and the Person or Persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record Holder or Holders of such Common Stock as of the close of business on such date. In case any Debt Security shall be surrendered for partial conversion, the Company shall execute and the Trustee shall authenticate and deliver to or upon the written order of the Holder of the Debt Securities so surrendered, without charge to such Holder (subject to the provisions of Section 16.08), a new Debt Security or Securities in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Debt Security.

Section 16.03. ADJUSTMENT OF CONVERSION PRICE FOR COMMON STOCK.

The Conversion Price with respect to any Debt Security which is convertible into Common Stock shall be adjusted from time to time as follows:

(1) In case the Company shall, at any time or from time to time while any of such Debt Securities are outstanding, (i) pay a dividend in shares of its Common Stock to holders of Common Stock, (ii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock, (iii) subdivide its outstanding shares of Common Stock into a greater number of shares of Common Stock or (iv) make a distribution in shares of Common Stock to holders of Common Stock, then the Conversion Price in effect immediately before such action shall be adjusted so that the Holders of such Debt Securities, upon conversion thereof into Common Stock immediately following such event, shall be entitled to receive the kind and amount of shares of Common Stock of the Company which they would have owned or been

entitled to receive upon or by reason of such event if such Debt Securities had been converted immediately before the record dated (or, if no record date, the effective date) for such event. An adjustment made pursuant to this Section 16.03(1) shall become effective retroactively immediately after the record date in the case of a dividend or distribution and shall become effective retroactively immediately after the effective date in the case of a subdivision or combination. For the purposes of this Section 16.03(1), each Holder of Debt Securities shall be deemed to have failed to exercise any right to elect the kind or amount of securities receivable upon the payment of any such dividend, subdivision, combination or distribution (PROVIDED, that if the kind or amount of securities receivable upon such dividend, subdivision, combination or distribution is not the same for each nonelecting share, then the kind and amount of securities or other property receivable upon such dividend, subdivision, combination or distribution for each nonelecting share shall be deemed to be the kind and amount so receivable per share by a plurality of the nonelecting shares).

(2) In case the Company shall, at any time or from time to time while any of such Debt Securities are outstanding, issue rights or warrants to all holders of shares of its Common Stock entitling them (for a period expiring within 45 days after the record date for such issuance) to subscribe to or purchase shares of Common Stock (or securities convertible into shares of Common Stock) at a price per share less than the Current Market Price of the Common Stock at such record date (treating the price per share of the securities convertible into Common Stock as equal to (x) the sum of (i) the price for a unit of the security convertible into Common Stock and (ii) any additional consideration initially payable upon the

conversion of such security into Common Stock divided by (y) the number of shares of Common Stock initially underlying such convertible security), the Conversion Price with respect to such Debt Securities shall be adjusted so that it shall equal the price determined by dividing the Conversion Price in effect immediately prior to the date of issuance of such rights or warrants by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase (or into which the convertible securities so offered are initially convertible), and the denominator of which shall be the number of shares of Common Stock outstanding on the date of issuance of securities which the aggregate offering price of the total number of shares of securities so offered for subscription or purchase (or the aggregate purchase price of the convertible securities so offered plus the aggregate amount of any additional consideration initially payable upon conversion of such securities into Common Stock) would purchase at such Current Market Price of the Common Stock. Such adjustment shall become effective retroactively immediately after the record date for the determination of stockholders entitled to receive such rights or warrants.

(3) In the case the Company shall, at any time or from time to time while any of such Debt Securities are outstanding, distribute to all holders of shares of its Common Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing corporation and the Common Stock is not changed or exchanged) cash, evidences of its indebtedness, securities or assets (excluding (i) regular periodic cash dividends in amounts, if any, determined from time to time by the Board of Directors, (ii) dividends payable in shares of Common Stock for which adjustment is made under Section 16.03(1) or (iii) rights or warrants to subscribe for or purchase securities of the Company (excluding those referred to in Section 16.03(2)), then in each such case the Conversion Price with respect to such Debt Securities determined by dividing the Conversion Price in effect immediately prior to the date of such distribution by a fraction, the numerator of which shall be the Current Market Price of the Common Stock on the record date referred to below, and the

84

denominator of which shall be such Current Market Price of the Common Stock less the then fair market value (as determined by the Board of Directors of the Company, whose determination shall be conclusive) of the portion of the cash or assets or evidences of indebtedness or securities so distributed or of such subscription rights or warrants applicable to one share of Common Stock (PROVIDED that such denominator shall never be less than 1.0); PROVIDED, HOWEVER, that no adjustment shall be made with respect to any distribution of rights to purchase securities of the Company if a Holder of Debt Securities would otherwise be entitled to receive such rights upon conversion at any time of such Debt Securities into Common Stock unless such rights are subsequently redeemed by the Company, in which case such redemption shall be treated for purposes of this Section as a dividend on the Common Stock. Such adjustment shall become effective retroactively immediately after the record date for the determination of stockholders entitled to receive such distribution; and in the event that such distribution is not so made, the Conversion Price shall again be adjusted to the Conversion Price which would then be in effect if such record date had not been fixed.

(4) The Company shall be entitled to make such additional adjustments in the Conversion Price, in addition to those required by subsections 16.03(1), 16.03(2), and 16.03(3), as shall be necessary in order that any dividend or distribution of Common Stock, any subdivision, reclassification or combination of shares of Common Stock or any issuance of rights or warrants referred to above shall not be taxable to the holders of Common Stock for United States Federal income tax purposes.

(5) In any case in which this Section 16.03 shall require that any adjustment be made effective as of or retroactively immediately following a record date, the Company may elect to defer (but only for five (5) Trading Days following the filing of the statement referred to in Section 16.05) issuing to the Holder of any Debt Securities converted after such record date the shares of Common Stock and other capital stock of the Company issuable upon such conversion over and above the shares of Common Stock and other capital stock of the Company issuable upon such conversion on the basis of the Conversion Price prior to adjustment; PROVIDED, HOWEVER, that the Company shall deliver to such Holder a due bill or other appropriate instrument evidencing such Holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(6) All calculations under this Section 16.03 shall be made to the nearest cent or one-hundredth of a share of security, with one-half cent and 0.005 of a share, respectively, being rounded upward. Notwithstanding any other provision of this Section 16.03, the Company shall not be required to make any adjustment of the Conversion Price unless such adjustment would require an increase or decrease of at least 1% of such price. Any lesser adjustment shall be carried forward and shall be made at the time of, and together with, the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least 1% in such price. Any adjustments under this Section 16.03 shall be made successively whenever an event requiring such an adjustment occurs.

(7) In the event that at any time, as a result of an adjustment made pursuant to this Section 16.03, the Holder of any Debt Security thereafter surrendered for conversion shall become entitled to receive any shares of stock of the Company other than shares of Common Stock into which the Debt Securities originally were convertible, the Conversion Price of such other shares so receivable upon conversion of any such Debt Security shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in subparagraphs (1) through (6) of this

85

Section 16.03, and the provisions of Sections 16.01, 16.02 and 16.04 through 16.09 with respect to the Common Stock shall apply on like or similar terms to any such other shares and the determination of the Board of Directors as to any such adjustment shall be conclusive.

(8) No adjustment shall be made pursuant to this Section: (i) if the effect thereof would be to reduce the Conversion Price below the par value (if any) of the Common Stock or (ii) subject to 16.03(5) hereof, with respect to any Debt Security that is converted prior to the time such adjustment otherwise would be made.

Section 16.04. CONSOLIDATION OR MERGER OF THE COMPANY.

In case of either (a) any consolidation or merger to which the Company is a party, other than a merger or consolidation in which the company is the surviving or continuing corporation and which does not result in a reclassification of, or change (other than a change in par value or from par value to no par value or from no par value to par value, as a result of a subdivision or combination) in, outstanding shares of Common Stock or (b) any sale or

conveyance of all or substantially all of the property and assets of the Company to another Person, each Debt Security then outstanding shall be convertible from and after such merger, consolidation, sale or conveyance of property and assets into the kind and amount of shares of stock or other securities and property (including cash) receivable upon such consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock into which such Debt Securities would have been converted immediately prior to such consolidation, merger, sale or conveyance, subject to adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article Sixteen (and assuming such holder of Common Stock failed to exercise his rights of election, if any, as to the kind or amount of securities, cash or other property (including cash) receivable upon such consolidation, merger, sale or conveyance (provided that, if the kind or amount of securities, cash or other property (including cash) receivable upon such consolidation, merger, sale or conveyance is not the same for each nonelecting share, then the kind and amount of securities, cash or other property (including cash) receivable upon such consolidation, merger, sale or conveyance for each nonelecting share shall be deemed to be the kind and amount so receivable per share by a plurality of the nonelecting shares or securities)). The Company shall not enter into any of the transactions referred to in clause (a) or (b) of the preceding sentence unless effective provision shall be made so as to give effect to the provisions set forth in this Section 16.04. The provisions of this Section 16.04 shall apply similarly to successive consolidations, mergers, sales or conveyances.

Section 16.05. NOTICE OF ADJUSTMENT.

Whenever an adjustment in the Conversion Price with respect to a series of Debt Securities is required:

- (1) the Company shall forthwith place on file with the Trustee and any Conversion Agent for such Securities a certificate of the Treasurer of the Company, stating the adjusted Conversion Price determined as provided herein and setting forth in reasonable detail such facts as shall be necessary to show the reason for and the manner of computing such adjustment, such certificate to be conclusive evidence that the adjustment is correct; and
- (2) a notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price shall forthwith be given by the Company, or at the Company's request, by the Trustee in the name and at the expense of the Company, in the manner PROVIDED in Section 1.05. Any notice so given shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice.

86

Section 16.06. NOTICE IN CERTAIN EVENTS.

IN CASE:

- (1) (1) of a consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or of the sale or conveyance to another Person or entity or group of Persons or entities acting in concert as a partnership, limited partnership, syndicate or other group (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of all or substantially all of the property and assets of the Company; or
- (2) of the voluntary or involuntary dissolution, liquidation or winding up of the Company; or
- (3) of any action triggering an adjustment of the Conversion Price pursuant to this Article Sixteen;

then, in each case, the Company shall cause to be filed with the Trustee and the Conversion Agent for the applicable Debt Securities, and shall cause to be given, to the Holders of record of applicable Debt Securities in the manner provided in Section 1.05, at least fifteen (15) days prior to the applicable date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of any distribution or grant of rights or warrants triggering an adjustment to the Conversion Price pursuant to this Article Sixteen, or, if a record is not to be taken, the date as of which the holders of record or Common Stock entitled to such distribution, rights or warrants are to be determined, or (y) the date on which any reclassification, consolidation, merger, sale, conveyance, dissolution, liquidation or winding up triggering an adjustment to the Conversion Price pursuant to this Article Sixteen is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, conveyance, dissolution, liquidation or winding up.

Failure to give such notice or any defect therein shall not affect the legality or validity of the proceedings described in clause (1), (2), or (3) of this Section.

Section 16.07. COMPANY TO RESERVE STOCK; REGISTRATION; LISTING.

(a) The Company shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued shares of Common Stock, for the purpose of effecting the conversion of the Debt Securities, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all applicable outstanding Debt Securities into such Common Stock at any time (assuming that, at the time of the computation of such number of shares or securities, all such Debt Securities would be held by a single holder); PROVIDED, HOWEVER, that nothing contained herein shall preclude the Company from satisfying its obligations in respect of the conversion of the Debt Securities by delivery of purchased shares of Common Stock which are held in the treasury of the Company. The Company shall from time to time, in accordance with the laws of the State of Delaware, use its best efforts to cause the authorized amount of the Common Stock to be increased if the aggregate of the authorized amount of the Common Stock remaining unissued and the issued shares of such Common Stock in its treasury (other than any such shares reserved for issuance in any other connection) shall not be sufficient to permit the conversion of all Debt Securities.

87

(b) If any shares of Common Stock which would be issuable upon conversion of Debt Securities hereunder require registration with or approval of any governmental authority before such shares or securities may be issued upon such conversion, the Company will in good faith and as expeditiously as possible endeavor to cause such shares or securities to be duly registered or approved, as the case may be. The Company will endeavor to list the shares of Common Stock required to be delivered upon conversion of the Debt Securities prior to such delivery upon the principal national securities exchange upon which the outstanding Common Stock is listed at the time of such delivery.

Section 16.08. TAXES ON CONVERSION.

The Company shall pay any and all documentary, stamp or similar issue or transfer taxes that may be payable in respect of the issue or delivery of shares of Common Stock on conversion of Debt Securities pursuant hereto. The Company shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock or the portion, if any, of the Debt Securities which are not so converted in a name other than that in which the Debt Securities so converted were registered (in case of Registered Securities), and no such issue or delivery shall be made unless and until the Person requesting such issue has paid to the Company the amount of such tax or has established to the satisfaction of the Company that such tax has been paid.

Section 16.09. CONVERSION AFTER RECORD DATE.

If any Debt Securities are surrendered for conversion subsequent to the record date preceding an Interest Payment Date but on or prior to such Interest Payment Date (except Debt Securities called for redemption on a Redemption Date between such record date and Interest Payment Date), the Holder of such Debt Securities at the close of business on such record date shall be entitled to receive the interest payable on such Debt Securities on such Interest Payment Date notwithstanding the conversion thereof. Debt Securities surrendered for conversion during the period from the close of business on any record date next preceding any Interest Payment Date to the opening of business on such Interest Payment Date shall (except in the case of Debt Securities which have been called for redemption on a Redemption Date within such period) be accompanied by payment in New York Clearing House funds or other funds and in the Currency acceptable to the Company of an amount equal to the interest payable on such Interest Payment Date on the Debt Securities being surrendered for conversion. Except as provided in this Section 16.09, no adjustments in respect of payments of interest on Debt Securities surrendered for conversion or any dividends or distributions of interest on the Common Stock issued upon conversion shall be made upon the conversion of any Debt Securities.

Section 16.10. COMPANY DETERMINATION FINAL.

Any determination that the Company or the Board of Directors must make pursuant to this Article is conclusive.

Section 16.11. TRUSTEE’S DISCLAIMER.

The Trustee has no duty to determine when an adjustment under this Article should be made, how it should be made or what it should be. The Trustee makes no representation as to the validity or value of any securities or assets issued upon conversion of Debt Securities. The Trustee shall not be responsible for the Company’s failure to comply with this Article. Each Conversion Agent other than the Company shall have the same protection under this Section as the Trustee.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed.

PARK PLACE ENTERTAINMENT CORPORATION

By: /s/ Scott A. LaPorta
Name: Scott A. LaPorta
Title: Executive Vice President and Chief Financial Officer

[SEAL]

Attest:

By: /s/ Janet E. Stockwell
Name: Janet E. Sockwell, CFA
Title: Vice President and Assistant Treasurer

Norwest Bank Minnesota, N.A., as Trustee

By: /s/ Timothy P. Mowdy
Name: Timothy P. Mowdy
Title: Corporate Trust Officer

REGISTERED OR EXCHANGED FOR SECURITIES REGISTERED IN THE NAME OF, ANY PERSON OTHER THAN THE DEPOSITARY OR A NOMINEE THEREOF AND NO SUCH TRANSFER MAY BE REGISTERED, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE. EVERY DEBT SECURITY AUTHENTICATED AND DELIVERED UPON REGISTRATION OF TRANSFER OF, OR IN EXCHANGE FOR OR IN LIEU OF, THIS DEBT SECURITY SHALL BE A GLOBAL NOTE SUBJECT TO THE FOREGOING, EXCEPT IN SUCH LIMITED CIRCUMSTANCES.

[IF THIS DEBT SECURITY IS AN ORIGINAL ISSUE DISCOUNT DEBT SECURITY, INSERT— FOR PURPOSES OF SECTIONS 1273 AND 1275 OF THE UNITED STATES INTERNAL REVENUE CODE, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ON THIS DEBT SECURITY IS % OF ITS PRINCIPAL AMOUNT, THE ISSUE DATE IS , 19 [AND] THE YIELD TO MATURITY IS %. [THE METHOD USED TO DETERMINE THE AMOUNT OF ORIGINAL ISSUE DISCOUNT APPLICABLE TO THE SHORT ACCRUAL PERIOD OF , 19 TO , 19 , IS % OF THE PRINCIPAL AMOUNT OF THIS DEBT SECURITY.]

PARK PLACE ENTERTAINMENT CORPORATION
[DESIGNATION OF SERIES]

No. \$ CUSIP NO.:

PARK PLACE ENTERTAINMENT CORPORATION, a Delaware corporation (herein referred to as the “Company,” which term includes any successor corporations under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to or registered assigns the principal sum of Dollars on (the “Stated Maturity Date”) [OR INSERT DATE FIXED FOR EARLIER REDEMPTION (the “Redemption Date”) and, together with the Stated Maturity Date with respect to principal repayable on such date, the “Maturity Date”)].

[IF THE DEBT SECURITY IS TO BEAR INTEREST PRIOR TO MATURITY, INSERT—and to pay interest thereon from or from the most recent interest payment date to which interest has been paid or duly provided for, semi-annually on and in each year (each, an “Interest Payment Date”), commencing , at the rate of % per annum, until the principal hereof is paid or duly provided for. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Holder in whose name this Debt Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the or (whether or not a Business Day, as defined below), as the case may be, next preceding such Interest Payment Date [at the office or agency of the Company maintained for such purpose; PROVIDED, HOWEVER, that such interest may be paid, at the

A-1

Company’s option, by mailing a check to such Holder at his or her registered address or by transfer of funds to an account maintained by such Holder within the United States]. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date, and may be paid to the Holder in whose name this Debt Security (or one or more Predecessor Debt Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Debt Securities of this series not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Debt Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. Interest will be computed on the basis of a 360-day year of twelve 30-day months.]

[IF THE DEBT SECURITY IS NOT TO BEAR INTEREST PRIOR TO MATURITY, INSERT --The principal of this Debt Security shall not bear interest except in the case of a default in payment of principal upon acceleration, upon redemption or at the [Stated] Maturity Date and in such case the overdue principal of this Debt Security shall bear interest at the rate of % per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such default in payment to the date payment of such principal has been made or duly provided for. Interest on any overdue principal shall be payable on demand. Any such interest on any overdue principal that is not so paid on demand shall bear interest at the rate of % per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such demand for payment to the date payment of such interest has been made or duly provided for, and such interest shall also be payable on demand.]

The principal of this Debt Security payable on the [Stated] Maturity Date [or the principal of, premium, if any, and, if the Redemption Date is not an Interest Payment Date, interest on this Debt Security payable on the Redemption Date] will be paid against presentation of this Debt Security at the office or agency of the Company maintained for that purpose in , in such coin or currency of the United States as at the time of payment is legal tender for the payment of public and private debts.

Interest payable on this Debt Security on any Interest Payment Date and on the [Stated] Maturity Date [or Redemption Date, as the case may be,] will include interest accrued from and including the next preceding Interest Payment Date in respect of which interest has been paid or duly provided for (or from and including , if no interest has been paid on this Debt Security) to but excluding such Interest Payment Date or the [Stated] Maturity Date [or Redemption Date, as the case may be]. If any Interest Payment Date or the [Stated] Maturity Date [or Redemption Date] falls on a day that is not a Business Day, principal, premium, if any, and/or interest payable with respect to such Interest Payment Date or [Stated] Maturity Date [or Redemption Date, as the case may be,] will be paid on the next succeeding Business Day with the same force and effect as if it were paid on the date such payment was due, and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date or [Stated] Maturity Date [or Redemption Date, as the case may be]. “Business Day” means any day, other than a Saturday or Sunday, on which banks in [New York] are not required or authorized by law or executive order to close.

[IF THIS DEBT SECURITY IS A GLOBAL DEBT SECURITY, INSERT—All payments of principal, premium, if any, and interest in respect of this Debt Security will be made by the Company in immediately available funds.]

Reference is hereby made to the further provisions of this Debt Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

A-2

Unless the Certificate of Authentication hereon has been executed by the Trustee by manual signature of one of its authorized signatories, this Debt Security shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its [facsimile] corporate seal.

PARK PLACE ENTERTAINMENT CORPORATION

By: _____
Name:
Title:

Attest:

By: _____
Name:
Title:

, as Trustee

By: _____
Name
Title:

A-3

EXHIBIT A

[Reverse of Debt Security]

PARK PLACE ENTERTAINMENT CORPORATION

This Debt Security is one of a duly authorized issue of securities of the Company, issued and to be issued in one or more series under an Indenture, dated as of _____, 199 (herein called the "Indenture") between the Company and _____, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture with respect to the series of which this Debt Security is a part), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Debt Securities, and of the terms upon which the Debt Securities are, and are to be, authenticated and delivered. This Debt Security is one of the duly authorized series of Debt Securities designated on the face hereof (collectively, the "Debt Securities"), [IF APPLICABLE, INSERT—and the aggregate principal amount of the securities to be issued under such series is limited to \$ _____ (except for Debt Securities authenticated and delivered upon transfer of, or in exchange for, or in lieu of other Debt Securities).] All terms used in this Debt Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

If an Event of Default shall occur and be continuing, the principal of the Debt Securities of this series may be declared due and payable in the manner and with the effect PROVIDED in the Indenture.

[IF APPLICABLE, INSERT—The Debt Securities may not be redeemed prior to the [Stated] Maturity Date.]

[IF APPLICABLE, INSERT—The Debt Securities are subject to redemption [(a) [IF APPLICABLE, INSERT—on _____ in any year commencing with the year _____ and ending with the year _____ through operation of the sinking fund for this series at a Redemption Price equal to 100% of the principal amount and (b)] [IF APPLICABLE, INSERT—at any time [on or after _____], as a whole or in part, at the election of the Company, at the following Redemption Prices (expressed as percentages of the principal amount): If redeemed on or before _____, _____ % and if redeemed during the 12-month period beginning _____ of the years indicated, at the Redemption Prices indicated below.

Year	Redemption Price	Year	Redemption Price

and thereafter at a Redemption Price equal to _____ % of the principal amount, together, in the case of any such redemption [IF APPLICABLE, INSERT—(whether through operation of the sinking fund or otherwise)], with accrued interest to the Redemption Date; PROVIDED, HOWEVER, that installments of interest on this Debt Security whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holder of this Debt Security, or one or more Predecessor Debt Securities, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.]

A-1

[IF APPLICABLE, INSERT—The Debt Securities are subject to redemption (a) on _____ in any year commencing with the year _____ and ending with the year _____ through operation of the sinking fund for this series at the Redemption Prices for redemption through operation of the sinking

fund (expressed as percentages of the principal amount) set forth in the table below and (b) at any time on or after _____], as a whole or in part, at the election of the Company, at the Redemption Prices for redemption otherwise than through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below: If redeemed during the 12-month period beginning of the years indicated,

Year	Redemption Price for Redemption Through Operation of the Sinking Fund	Year	Redemption Price for Redemption Otherwise Than Through Operation of the Sinking Fund

and thereafter at a Redemption Price equal to _____ % of the principal amount, together, in the case of any such redemption (whether through operation of the sinking fund or otherwise), with accrued interest to the Redemption Date; PROVIDED, HOWEVER, that installments of interest on this Debt Security whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holder of this Debt Security, or one or more Predecessor Debt Securities, of record at the close of business on the relevant record dates referred to on the face hereof, all as provided in the Indenture.]

[IF APPLICABLE, INSERT—Notwithstanding the foregoing, the Company may not, prior to _____ redeem any Debt Securities as contemplated by [clause (2) of] the preceding paragraph as a part of, or in anticipation of, any refunding operation by the application, directly or indirectly, of money borrowed having an interest cost to the Company (calculated in accordance with generally accepted financial practice) of less than _____ % per annum.]

[IF APPLICABLE, INSERT—The sinking fund for the Debt Securities provides for the redemption on _____ in each year, beginning with the year _____ and ending with the year _____, of [not less than] \$ _____] [“(mandatory sinking fund”) and not more than \$ _____] aggregate principal amount of the Debt Securities. [The Debt Securities acquired or redeemed by the Company otherwise than through [mandatory] sinking fund payments may be credited against subsequent [mandatory] sinking fund payments otherwise required to be made in the [DESCRIBE ORDER] order in which they become due.]]

Notice of redemption will be given by mail to Holders of Debt Securities, not less than 30 nor more than 60 days prior to the Redemption Date, all as provided in the Indenture.

In the event of redemption of the Debt Security in part only, a new Debt Security or Debt Securities for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

[IF APPLICABLE, INSERT CONVERSION PROVISIONS SET FORTH IN ANY BOARD RESOLUTION OR INDENTURE SUPPLEMENTAL TO THE INDENTURE.]

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Debt Securities under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than at least a majority of the aggregate principal amount of all Debt Securities issued under the indenture at the time Outstanding and affected thereby. The Indenture also contains provisions permitting the Holders of not less than at least a majority of the aggregate principal amount of the Outstanding Debt Securities, on behalf of the Holders of all such Debt Securities, to waive compliance by the Company with certain provisions of the Indenture. Furthermore, provisions in the Indenture permit the Holders of not less than at least a majority of the aggregate principal amount, in certain instances, of the Outstanding Debt Securities of any series to waive, on behalf of all of the Holders of Debt Securities of such series, certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Debt Security shall be conclusive and binding upon such Holder and upon all future Holders of this Debt Security and other Debt Securities issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Debt Security.

No reference herein to the Indenture and no provision of this Debt Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Debt Security at the times, rates and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein [and herein] set forth, the transfer of this Debt Security is registrable in the Security Register of the Company upon surrender of this security for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any) and interest on this Debt Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or by his attorney duly authorized in writing, and thereupon one or more new Debt Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

As provided in the Indenture and subject to certain limitations therein [and herein] set forth, this Debt Security is exchangeable for a like aggregate principal amount of Debt Securities of different authorized denominations but otherwise having the same terms and conditions, as requested by the Holder hereof surrendering the same.

The Debt Securities of this series are issuable only in registered form [without coupons] in denominations of \$ _____ and any integral multiple thereof. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Debt Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Debt Security is registered as the owner hereof for all purposes, whether or not this Debt Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

No recourse shall be had for the payment of the principal of or premium, if any, or the interest on this Debt Security, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any past, present or future

any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

The Indenture and the Debt Securities shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely in such State.

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the series of Debt Securities issued under the within-mentioned Indenture.

[_____], as Trustee

By _____
Authorized Signatory

Dated: _____

EXHIBIT B

[FORM OF COUPON]

[FACE OF COUPON]

[INSERT ANY LEGEND REQUIRED BY THE INTERNAL REVENUE CODE AND THE REGULATIONS THEREUNDER.]

No.

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287 (a) OF THE INTERNAL REVENUE CODE.

On the [] Interest Payment Date
[]

PARK PLACE ENTERTAINMENT CORPORATION (the "Company") will pay to bearer, upon surrender hereof, the interest payable with respect to above-referenced Interest Payment Date on its [Name of the Debt Securities] with the certificate number set forth below, together with any additional amounts which may be payable under the terms of the Debt Security, unless the Debt Security shall have been previously called for redemption or submitted for repayment and sums for such redemption or repayment duly provided. Payment of this coupon will be made in the currency set forth on the face of such Debt Security upon surrender hereof, subject to applicable laws and regulations, only (subject to certain limited exceptions set forth in such Debt Security) at such paying agencies outside the United States and its possessions as the Company may appoint from time to time. Such payments will be made, at the option of the bearer, by check mailed or delivered to an address outside the United States and its possessions furnished by such bearer or by payment to an account maintained by the payee with a bank located outside the United States. [This coupon will become void unless presented for payment within [] years from the due date hereof.] Reference is made to the Debt Security for definitions of terms used herein.

Park Place Entertainment Corporation

By:

Certificate Number:

[Reverse of Coupon]

Paying Agencies (subject to change)

EXHIBIT C

[FORMS OF CERTIFICATION]

[FORM OF CERTIFICATE TO BE GIVEN BY
PERSON ENTITLED TO RECEIVE BEARER SECURITY

OR INTEREST PRIOR TO AN EXCHANGE DATE]
CERTIFICATE

[Insert title or sufficient description
of Debt Securities to be delivered]

This is to certify that as of the date hereof and except as set forth below principal amount of the above captioned Debt Securities held by you for our account (i) is owned by person(s) that are not United States person(s) (as defined below), (ii) is owned by United States person(s) that are (a) foreign branches of United States financial institutions (as defined in Section 1.165-12(c)(1)(v) of the United States Treasury regulations) (“financial institutions”) purchasing for their own account or for resale, or (b) United States person(s) who acquired the Debt Securities through foreign branches of United States financial institutions and who hold the Debt Securities through such United States financial institutions on the date hereof (and in either case (a) or (b), each such United States financial institution hereby agrees, on its own behalf or through its agent, that you may advise the Company or the Company’s agent that it will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the United States Internal Revenue Code of 1986, as amended, and the Treasury regulations thereunder), or (iii) is owned by United States or foreign financial institution(s) for the purpose of resale during the restricted period (as defined in Section 1.163-5(c)(2)(i)(D)(7) of the United States Treasury regulations), and in addition if the owner of the Debt Securities is a United States or foreign financial institution described in clause (iii) above (whether or not also described in clause (i) or (ii)) this is to further certify that such financial institution has not acquired the Debt Securities for the purpose of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

We undertake to advise you promptly by tested telex on or prior to the date on which you intend to submit your certification relating to the beneficial interest in the temporary global Debt Security held by you for our account in accordance with your operating procedures if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certification applies as of such date.

This certificate excepts and does not relate to principal amount of Debt Securities held by you for our account as to which we are not able to provide a certificate in this form. We understand that exchange of such portion of the temporary Global Note for definitive Bearer Securities or interests in a permanent Global Note cannot be made until we are able to provide a certificate in this form.

We understand that this certificate is required in connection with certain tax laws and regulations of the United States. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

C-1

“United States person” means any citizen or resident of the United States, any corporation, partnership or other entity created or organized in or under the laws of the United States and any estate or trust the income of which is subject to United States federal income taxation regardless of its source. “United States” means the United States of America (including the States and the District of Columbia), its territories and possessions and other areas subject to its jurisdiction.

Dated: , 19

[To be dated no earlier than the
10th day before the Exchange Date]

By: _____
As, or as agent for, the beneficial
owner(s) of the portion of the
temporary global Note to which
this certificate relates.

C-2

EXHIBIT D

[FORM OF CERTIFICATE TO BE GIVEN BY EURO-CLEAR AND
CEDEL, S.A. IN CONNECTION WITH THE EXCHANGE OF
A PORTION OF A TEMPORARY GLOBAL NOTE]
CERTIFICATE

[Insert title or sufficient description
of Debt Securities to be delivered]

The undersigned certifies that, based solely on certifications we have received in writing, by tested telex or by electronic transmission from member organizations appearing in our records as persons being entitled to a portion of the principal amount set forth below (our “Member Organizations”) substantially to the effect set forth in the Indenture as of the date hereof, principal amount of the above-captioned Debt Securities (i) is owned by person(s) that are not United States person(s) (as defined below), (ii) is owned by United States person(s) that are (a) foreign branches of United States financial institutions (as defined in Section 1.165-12(c)(1)(v) of the United States Treasury regulations) (“financial institutions”) purchasing for their own account or for resale, or (b) United States person(s) who acquired the Debt Securities through foreign branches of United States financial institutions and who hold the Debt Securities through such United States financial institutions on the date hereof (and in either case (a) or (b), each such United States financial institution has agreed, on its own behalf or through its agent, that you may advise the Company or the Company’s agent that it will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the Treasury regulations thereunder), or (iii) is owned by United States or foreign financial institution(s) for the purpose of resale during the restricted period (as defined in Section 1.163-5(c)(2)(i)(D)(7) of the United States Treasury regulations), and in addition United States or foreign financial institutions described in clause (iii) above (whether or not also

described in clause (i) or (ii)) have certified that they have not acquired the Debt Securities for the purpose of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

We further certify (i) that we are not making available for exchange or collection of any interest any portion of the temporary Global Note excepted in such certifications and (ii) that as of the date hereof we have not received any notification from any of our Member Organizations to the effect that the statements made by such Member Organizations with respect to any portion of the part submitted herewith for exchange or collection of any interest are no longer true and cannot be relied upon as of the date hereof.

We understand that this certificate is required in connection with certain tax laws and regulations of the United States. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

C-1

“United States person” means any citizen or resident of the United States, any corporation, partnership or other entity created or organized in or under the laws of the United States and any estate or trust the income of which is subject to United States federal income taxation regardless of its source. “United States” means the United States of America (including the States and the District of Columbia), its territories and possessions and other areas subject to its jurisdiction.

Dated: _____, 19

[To be dated no earlier than the
Exchange Date]

By: _____
[MORGAN GUARANTY TRUST
COMPANY OF NEW YORK,
BRUSSELS OFFICE, as
Operator of the Euro-Clear
System] [CEDEL, S.A.]

C-2

**SUPPLEMENTAL INDENTURE
(1998 Indenture)**

THIS SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of June 13, 2005, is by and among Caesars Entertainment, Inc., f/k/a Park Place Entertainment Corporation, a Delaware corporation (the "Issuer"), Harrah's Operating Company, Inc., a Delaware corporation (the "Company"), and Wachovia Bank, National Association, as successor to First Union National Bank, as trustee under the indenture referred to below (the "Trustee").

WITNESSETH

WHEREAS, reference is made to that certain Indenture, dated as of December 21, 1998 (the "Indenture"), between the Issuer and the Trustee, with respect to the Issuer's 7.875% Senior Subordinated Notes due 2005 (the "Securities");

WHEREAS, Harrah's Entertainment, Inc., a Delaware corporation, the Company and the Issuer entered into an Agreement and Plan of Merger, dated as of July 14, 2004, whereby the Issuer will merge with and into the Company (the "Merger"), with the Company being the surviving corporation in the Merger;

WHEREAS, the Company desires to assume, from and after the time at which the Merger becomes effective in accordance with the Delaware General Corporation Law (the "Effective Time"), all of the obligations of the Issuer under the Indenture and the Securities;

WHEREAS, Section 8.01(b) of the Indenture provides that the Company shall assume by supplemental indenture all obligations of the Issuer under the Indenture and the Securities; and

WHEREAS, Section 9.01(c) of the Indenture allows for supplements thereto, without the consent of any Holders with respect to the assumption of the obligations under the Indenture and the Securities by the Company in accordance with Article VIII of the Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer, the Company and the Trustee mutually agree as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Indenture. Unless the context otherwise requires, from and after the Effective Time, all references to the Indenture shall mean the Indenture as supplemented hereby.

2. Agreement to Assume. Pursuant to Sections 8.01 and 8.02 of the Indenture, the Company hereby assumes, from and after the Effective Time, all of the obligations of the Issuer under the Indenture and the Securities. The Issuer and the Company represent to the Trustee that immediately after giving effect to such assumption, no Default or Event of Default will exist. The Company represents that it is a corporation organized and validly existing under the laws of the State of Delaware.

3. Ratification and Effect. Except as hereby expressly amended, the Indenture is in all respects ratified and confirmed and all the terms, provisions and conditions thereof shall be and remain in full force and effect. Upon and after the Effective Time, each reference in the Indenture to "this Indenture", "hereunder", "hereof" or words of like import referring to the Indenture shall mean and be a reference to the Indenture as modified hereby.

4. New York Law To Govern. THE INTERNAL LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE, THE INDENTURE AS SUPPLEMENTED HEREBY, AND THE SECURITIES WITHOUT REGARD TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF.

5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

Caesars Entertainment, Inc.,
a Delaware corporation

By: \s\ Wesley Allison

Name: Wesley Allison

Title: SVP Controller & Interim CFO

Harrah's Operating Company, Inc.,
a Delaware corporation

By: \s\ Stephen H. Brammell

Name: Stephen H. Brammell
Title: Sr. Vice President, General Counsel
and Corporate Secretary

Wachovia Bank, National Association
as Trustee

By: \s\Paul F. Anatrella
Name: Paul F. Anatrella
Title: Vice President

**SUPPLEMENTAL INDENTURE
(1999 Indenture)**

THIS SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of June 13, 2005, is by and among Caesars Entertainment, Inc., f/k/a Park Place Entertainment Corporation, a Delaware corporation (the "Issuer"), Harrah's Operating Company, Inc., a Delaware corporation (the "Company"), and Wells Fargo Bank, National Association, as successor to Norwest Bank Minnesota, N.A., as trustee under the indenture referred to below (the "Trustee").

WITNESSETH

WHEREAS, reference is made to that certain Indenture, dated as of November 9, 1999 (the "1999 Indenture"), between the Issuer and the Trustee, with respect to the Issuer's 8.5% Senior Notes due 2006 (the "Senior Notes") and 8.875% Senior Subordinated Notes due 2008 (the "Senior Subordinated Notes," and together with the Senior Notes, the "Securities"), and those certain Officers' Certificates of the Issuer, dated as of November 9, 1999 and September 12, 2000, setting forth the terms of the Senior Notes and the Senior Subordinated Notes, respectively (collectively, the "Officers' Certificates," and together with the 1999 Indenture, the "Indenture");

WHEREAS, Harrah's Entertainment, Inc., a Delaware corporation, the Company and the Issuer entered into an Agreement and Plan of Merger, dated as of July 14, 2004, whereby the Issuer will merge with and into the Company (the "Merger"), with the Company being the surviving corporation in the Merger;

WHEREAS, the Company desires to assume, from and after the time at which the Merger becomes effective in accordance with the Delaware General Corporation Law (the "Effective Time"), all of the obligations of the Issuer under the Indenture and the Securities;

WHEREAS, Section 10.01(1) of the 1999 Indenture provides that the Company shall assume by supplemental indenture all obligations of the Issuer under the Indenture and the Securities; and

WHEREAS, Section 11.01(1) of the 1999 Indenture allows for supplements thereto, without the consent of any Holders with respect to the assumption of the obligations under the Indenture and the Securities by the Company.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer, the Company and the Trustee mutually agree as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Indenture. Unless the context otherwise requires, from and after the Effective Time, all references to the Indenture shall mean the Indenture as supplemented hereby.

2. Agreement to Assume. Pursuant to Sections 10.01 and 10.02 of the Indenture, the Company hereby agrees to assume, from and after the Effective Time, all of the obligations of the Issuer under the Indenture and the Securities. The Issuer and the Company represent to the Trustee that immediately after giving effect to such assumption, no Default or Event of Default will exist.

3. Ratification and Effect. Except as hereby expressly amended, the Indenture is in all respects ratified and confirmed and all terms, provisions and conditions thereof shall be and remain in full force and effect. Upon and after the Effective Date, each reference in the Indenture to "this Indenture", "hereunder", "hereof" or words of like import referring to the Indenture shall mean and be a reference to the Indenture as modified hereby.

4. New York Law To Govern. THE INTERNAL LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE, THE INDENTURE AS SUPPLEMENTED HEREBY, AND THE SECURITIES WITHOUT REGARD TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF.

5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

Caesars Entertainment, Inc.,
a Delaware corporation

By: \s\ Wesley Allison

Name: Wesley Allison

Title: SVP Controller & Interim CFO

Harrah's Operating Company, Inc.,
a Delaware corporation

By: \s\ Stephen H. Brammell

Name: Stephen H. Brammell

Title: Sr. Vice President, General Counsel
and Corporate Secretary

Wells Fargo Bank, National Association,
as Trustee

By: \s\ Timothy P. Mowdy

Name: Timothy P. Mowdy

Title: Vice President

**SUPPLEMENTAL INDENTURE
(2000 Indenture)**

THIS SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of June 13, 2005, is by and among Caesars Entertainment, Inc., f/k/a Park Place Entertainment Corporation, a Delaware corporation (the "Issuer"), Harrah's Operating Company, Inc., a Delaware corporation (the "Company"), and Wells Fargo Bank, National Association, as successor to Norwest Bank Minnesota, N.A., as trustee under the indenture referred to below (the "Trustee").

WITNESSETH

WHEREAS, reference is made to that certain Indenture, dated as of February 22, 2000 (the "Indenture"), between the Issuer and the Trustee, with respect to the Issuer's 9.375% Senior Subordinated Notes due 2007 (the "Securities");

WHEREAS, Harrah's Entertainment, Inc., a Delaware corporation, the Company and the Issuer entered into an Agreement and Plan of Merger, dated as of July 14, 2004, whereby the Issuer will merge with and into the Company (the "Merger"), with the Company being the surviving corporation in the Merger;

WHEREAS, the Company desires to assume, from and after the time at which the Merger becomes effective in accordance with the Delaware General Corporation Law (the "Effective Time"), all of the obligations of the Issuer under the Indenture and the Securities;

WHEREAS, Section 8.01(a) of the Indenture provides that the Company shall assume by supplemental indenture all obligations of the Issuer under the Indenture and the Securities; and

WHEREAS, Section 9.01(c) of the Indenture allows for supplements thereto, without the consent of any Holders with respect to the assumption of the obligations under the Indenture and the Securities by the Company in accordance with Article VIII of the Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer, the Company and the Trustee mutually agree as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Indenture. Unless the context otherwise requires, from and after the Effective Time, all references to the Indenture shall mean the Indenture as supplemented hereby.

2. Agreement to Assume. Pursuant to Sections 8.01 and 8.02 of the Indenture, the Company hereby agrees to assume, from and after the Effective Time, all of the obligations of the Issuer under the Indenture and the Securities. The Issuer and the Company represent to the Trustee that immediately after giving effect to such assumption, no Default or Event of Default will exist.

3. Ratification and Effect. Except as hereby expressly amended, the Indenture is in all respects ratified and confirmed and all the terms, provisions and conditions thereof shall be and remain in full force and effect. Upon and after the Effective Date, each reference in the Indenture to "this Indenture", "hereunder", "hereof" or words of like import referring to the Indenture shall mean and be a reference to the Indenture as modified hereby.

4. New York Law To Govern. THE INTERNAL LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE, THE INDENTURE AS SUPPLEMENTED HEREBY, AND THE SECURITIES WITHOUT REGARD TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF.

5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

2

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

Caesars Entertainment, Inc.,
a Delaware corporation

By: \s\ Wesley Allison

Name: Wesley Allison

Title: SVP Controller & Interim CFO

Harrah's Operating Company, Inc.,
a Delaware corporation

By: \s\ Stephen H. Brammell

Name: Stephen H. Brammell

Title: Sr. Vice President, General Counsel

Wells Fargo Bank, National Association,
as Trustee

By: \s\ Timothy P. Mowdy

Name: Timothy P. Mowdy

Title: Vice President

**SUPPLEMENTAL INDENTURE
(2001 Indenture)**

THIS SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of June 13, 2005, is by and among Caesars Entertainment, Inc., f/k/a Park Place Entertainment Corporation, a Delaware corporation (the "Issuer"), Harrah's Operating Company, Inc., a Delaware corporation (the "Company"), and Wells Fargo Bank, National Association, as trustee under the indenture referred to below (the "Trustee").

WITNESSETH

WHEREAS, reference is made to that certain Indenture, dated as of May 14, 2001 (the "Indenture"), between the Issuer and the Trustee, with respect to the Issuer's 8.125% Senior Subordinated Notes due 2011 (the "Securities");

WHEREAS, Harrah's Entertainment, Inc., a Delaware corporation, the Company and the Issuer entered into an Agreement and Plan of Merger, dated as of July 14, 2004, whereby the Issuer will merge with and into the Company (the "Merger"), with the Company being the surviving corporation in the Merger;

WHEREAS, the Company desires to assume, from and after the time at which the Merger becomes effective in accordance with the Delaware General Corporation Law (the "Effective Time"), all of the obligations of the Issuer under the Indenture and the Securities;

WHEREAS, Section 8.01(a) of the Indenture provides that the Company shall assume by supplemental indenture all obligations of the Issuer under the Indenture and the Securities; and

WHEREAS, Section 9.01(c) of the Indenture allows for supplements thereto, without the consent of any Holders with respect to the assumption of the obligations under the Indenture and the Securities by the Company in accordance with Article VIII of the Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer, the Company and the Trustee mutually agree as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Indenture. Unless the context otherwise requires, from and after the Effective Time, all references to the Indenture shall mean the Indenture as supplemented hereby.
2. Agreement to Assume. Pursuant to Sections 8.01 and 8.02 of the Indenture, the Company hereby agrees to assume, from and after the Effective Time, all of the obligations of the Issuer under the Indenture and the Securities. The Issuer and the Company represent to the Trustee that immediately after giving effect to such assumption, no Default or Event of Default will exist.
3. Ratification and Effect. Except as hereby expressly amended, the Indenture is in all respects ratified and confirmed and all the terms, provisions and conditions thereof shall be

and remain in full force and effect. Upon and after the Effective Date, each reference in the Indenture to "this Indenture", "hereunder", "hereof" or words of like import referring to the Indenture shall mean and be a reference to the Indenture as modified hereby.

4. New York Law To Govern. THE INTERNAL LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE, THE INDENTURE AS SUPPLEMENTED HEREBY, AND THE SECURITIES WITHOUT REGARD TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF.

5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

Caesars Entertainment, Inc.,
a Delaware corporation

By: \s\ Wesley Allison

Name: Wesley Allison

Title: SVP Controller & Interim CFO

Harrah's Operating Company, Inc.,
a Delaware corporation

By: \s\ Stephen H. Brammell

Name: Stephen H. Brammell
Title: Sr. Vice President, General Counsel
and Corporate Secretary

Wells Fargo Bank, National Association,
as Trustee

By: \s\ Timothy P. Mowdy
Name: Timothy P. Mowdy
Title: Vice President

**SUPPLEMENTAL INDENTURE
(2001 Indenture)**

THIS SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of June 13, 2005, is by and among Caesars Entertainment, Inc., f/k/a Park Place Entertainment Corporation, a Delaware corporation (the "Issuer"), Harrah's Operating Company, Inc., a Delaware corporation (the "Company"), and Wells Fargo Bank, National Association, as trustee under the indenture referred to below (the "Trustee").

WITNESSETH

WHEREAS, reference is made to that certain Indenture, dated as of August 22, 2001 (the "Indenture"), between the Issuer and the Trustee, with respect to the Issuer's 7.5% Senior Notes due 2009 (the "Securities");

WHEREAS, Harrah's Entertainment, Inc., a Delaware corporation, the Company and the Issuer entered into an Agreement and Plan of Merger, dated as of July 14, 2004, whereby the Issuer will merge with and into the Company (the "Merger"), with the Company being the surviving corporation in the Merger;

WHEREAS, the Company desires to assume, from and after the time at which the Merger becomes effective in accordance with the Delaware General Corporation Law (the "Effective Time"), all of the obligations of the Issuer under the Indenture and the Securities;

WHEREAS, Section 8.01(a) of the Indenture provides that the Company shall assume by supplemental indenture all obligations of the Issuer under the Indenture and the Securities; and

WHEREAS, Section 9.01(c) of the Indenture allows for supplements thereto, without the consent of any Holders with respect to the assumption of the obligations under the Indenture and the Securities by the Company in accordance with Article VIII of the Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer, the Company and the Trustee mutually agree as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Indenture. Unless the context otherwise requires, from and after the Effective Time, all references to the Indenture shall mean the Indenture as supplemented hereby.
2. Agreement to Assume. Pursuant to Sections 8.01 and 8.02 of the Indenture, the Company hereby agrees to assume, from and after the Effective Time, all of the obligations of the Issuer under the Indenture and the Securities. The Issuer and the Company represent to the Trustee that immediately after giving effect to such assumption, no Default or Event of Default will exist.
3. Ratification and Effect. Except as hereby expressly amended, the Indenture is in all respects ratified and confirmed and all the terms, provisions and conditions thereof shall be and

remain in full force and effect. Upon and after the Effective Date, each reference in the Indenture to "this Indenture", "hereunder", "hereof" or words of like import referring to the Indenture shall mean and be a reference to the Indenture as modified hereby.

4. New York Law To Govern. THE INTERNAL LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE, THE INDENTURE AS SUPPLEMENTED HEREBY, AND THE SECURITIES WITHOUT REGARD TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF.

5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

Caesars Entertainment, Inc.,
a Delaware corporation

By: \s\ Wesley Allison

Name: Wesley Allison

Title: SVP Controller & Interim CFO

Harrah's Operating Company, Inc.,
a Delaware corporation

By: \s\ Stephen H. Brammell

Name: Stephen H. Brammell
Title: Sr. Vice President, General Counsel
and Corporate Secretary

Wells Fargo Bank, National Association,
as Trustee

By: \s\ Timothy P. Mowdy
Name: Timothy P. Mowdy
Title: Vice President

**SUPPLEMENTAL INDENTURE
(2002 Indenture)**

THIS SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of June 13, 2005, is by and among Caesars Entertainment, Inc., f/k/a Park Place Entertainment Corporation, a Delaware corporation (the "Issuer"), Harrah's Operating Company, Inc., a Delaware corporation (the "Company"), and Wells Fargo Bank, National Association, as trustee under the indenture referred to below (the "Trustee").

WITNESSETH

WHEREAS, reference is made to that certain Indenture, dated as of March 14, 2002 (the "Indenture"), between the Issuer and the Trustee, with respect to the Issuer's 7.875% Senior Subordinated Notes due 2010 (the "Securities");

WHEREAS, Harrah's Entertainment, Inc., a Delaware corporation, the Company and the Issuer entered into an Agreement and Plan of Merger, dated as of July 14, 2004, whereby the Issuer will merge with and into the Company (the "Merger"), with the Company being the surviving corporation in the Merger;

WHEREAS, the Company desires to assume, from and after the time at which the Merger becomes effective in accordance with the Delaware General Corporations Law (the "Effective Time"), all of the obligations of the Issuer under the Indenture and the Securities;

WHEREAS, Section 8.01(a) of the Indenture provides that the Company shall assume by supplemental indenture all obligations of the Issuer under the Indenture and the Securities; and

WHEREAS, Section 9.01(c) of the Indenture allows for supplements thereto, without the consent of any Holders with respect to the assumption of the obligations under the Indenture and the Securities by the Company in accordance with Article VIII of the Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer, the Company and the Trustee mutually agree as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Indenture. Unless the context otherwise requires, from and after the Effective Time, all references to the Indenture shall mean the Indenture as supplemented hereby.
2. Agreement to Assume. Pursuant to Sections 8.01 and 8.02 of the Indenture, the Company hereby agrees to assume, from and after the Effective Time, all of the obligations of the Issuer under the Indenture and the Securities. The Issuer and the Company represent to the Trustee that immediately after giving effect to such assumption, no Default or Event of Default will exist.
3. Ratification and Effect. Except as hereby expressly amended, the Indenture is in all respects ratified and confirmed and all the terms, provisions and conditions thereof shall be and

remain in full force and effect. Upon and after the Effective Date, each reference in the Indenture to "this Indenture", "hereunder", "hereof" or words of like import referring to the Indenture shall mean and be a reference to the Indenture as modified hereby.

4. New York Law To Govern. THE INTERNAL LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE, THE INDENTURE AS SUPPLEMENTED HEREBY, AND THE SECURITIES WITHOUT REGARD TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF.

5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

Caesars Entertainment, Inc.,
a Delaware corporation

By: \s\ Wesley Allison
Name: Wesley Allison
Title: SVP Controller & Interim CFO

Harrah's Operating Company, Inc.,
a Delaware corporation

By: \s\ Stephen H. Brammell

Name: Stephen H. Brammell
Title: Sr. Vice President, General Counsel
and Corporate Secretary

Wells Fargo Bank, National Association,
as Trustee

By: \s\ Timothy P. Mowdy
Name: Timothy P. Mowdy
Title: Vice President

**SUPPLEMENTAL INDENTURE
(2003 Indenture)**

THIS SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of June 13, 2005, is by and among Caesars Entertainment, Inc., f/k/a Park Place Entertainment Corporation, a Delaware corporation (the "Issuer"), Harrah's Operating Company, Inc., a Delaware corporation (the "Company"), and U.S. Bank National Association, as trustee under the indenture referred to below (the "Trustee").

WITNESSETH

WHEREAS, reference is made to that certain Indenture, dated as of April 11, 2003 (the "Indenture"), between the Issuer and the Trustee, with respect to the Issuer's 7% Senior Notes due 2013 (the "Securities");

WHEREAS, Harrah's Entertainment, Inc., a Delaware corporation, the Company and the Issuer entered into an Agreement and Plan of Merger, dated as of July 14, 2004, whereby the Issuer will merge with and into the Company (the "Merger"), with the Company being the surviving corporation in the Merger;

WHEREAS, the Company desires to assume, from and after the time at which the Merger becomes effective in accordance with the Delaware General Corporation Law (the "Effective Time"), all of the obligations of the Issuer under the Indenture and the Securities;

WHEREAS, Section 8.01(a) of the Indenture provides that the Company shall assume by supplemental indenture all obligations of the Issuer under the Indenture and the Securities; and

WHEREAS, Section 9.01(c) of the Indenture allows for supplements thereto, without the consent of any Holders with respect to the assumption of the obligations under the Indenture and the Securities by the Company in accordance with Article VIII of the Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer, the Company and the Trustee mutually agree as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Indenture. Under the context otherwise requires, from and after the Effective Time, all references to the Indenture shall mean the Indenture as supplemented hereby.
2. Agreement to Assume. Pursuant to Sections 8.01 and 8.02 of the Indenture, the Company hereby agrees to assume, from and after the Effective Time, all of the obligations of the Issuer under the Indenture and the Securities. The Issuer and the Company represent to the Trustee that immediately after giving effect to such assumption, no Default or Event of Default will exist.
3. Ratification and Effect. Except as hereby expressly amended, the Indenture is in all respects ratified and confirmed and all the terms, provisions and conditions thereof shall be and

remain in full force and effect. Upon and after the Effective Date, each reference in the Indenture to "this Indenture", "hereunder", "hereof" or words of like import referring to the Indenture shall mean and be a reference to the Indenture as modified hereby.

4. New York Law to Govern. THE INTERNAL LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE, THE INDENTURE AS SUPPLEMENTED HEREBY, AND THE SECURITIES WITHOUT REGARD TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF.

5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

Caesars Entertainment, Inc.,
a Delaware corporation

By: Wesley Allison
Name: Wesley Allison
Title: SVP Controller & Interim CFO

Harrah's Operating Company, Inc.,
a Delaware corporation

By: Stephen H. Brammell

Name: Stephen H. Brammell
Title: Sr. Vice President, General Counsel
and Corporate Secretary

U.S. Bank National Association,
as Trustee

By: \s\ Richard H. Prokosch
Name: Richard H. Prokosch
Title: Vice President

**HARRAH'S OPERATING COMPANY, INC.
HARRAH'S ENTERTAINMENT, INC.**

\$750,000,000

5.625% Senior Notes due 2015

**Payment of Principal, Interest and
Premium, if any, Guaranteed by**

Harrah's Entertainment, Inc.

PURCHASE AGREEMENT

New York, New York
May 19, 2005

Citigroup Global Markets Inc.
Greenwich Capital Markets, Inc.
As Representatives of the Initial Purchasers
c/o Citigroup Global Markets Inc.
388 Greenwich Street, 37th Floor
New York, New York 10013

Ladies and Gentlemen:

Harrah's Operating Company, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to the several parties named below (the "Initial Purchasers"), for whom you are acting as Representatives (the "Representatives"), \$750,000,000 principal amount of its 5.625% Senior Notes due 2015 (the "Notes") payment of principal, interest and premium, if any, in respect of which notes are to benefit from the guarantee (the "Guarantee") of Harrah's Entertainment, Inc., a Delaware corporation (the "Guarantor") (such notes, together with such guarantee, the "Securities"). The Securities are to be issued under an indenture (the "Indenture") to be dated as of May 27, 2005, among the Company, the Guarantor and U.S. Bank National Association, as trustee (the "Trustee"). The Securities will have the benefit of a registration rights agreement (the "Registration Rights Agreement") to be dated as of May 27, 2005, among the Company, the Guarantor and the Initial Purchasers, pursuant to which the Company and the Guarantor have agreed to register the Securities under the Securities Act, subject to the terms and conditions therein specified. The sale of the Securities to the Initial Purchasers will be made without registration of the Securities under the Securities Act in reliance upon exemptions from the registration requirements of the Securities Act.

In connection with the sale of the Securities, the Company and the Guarantor have prepared an Offering Memorandum dated May 19, 2005 (including any information incorporated by reference therein, the "Offering Memorandum"). The Offering Memorandum sets forth certain information concerning the Company, the Guarantor and the Securities. Unless stated to

the contrary, all references herein to the Offering Memorandum are to the Offering Memorandum at the Execution Time and are not meant to include any amendment or supplement, or any information incorporated by reference therein, subsequent to the Execution Time. The Company hereby confirms that it has authorized the use of the Offering Memorandum, and any amendment or supplement thereto, in connection with the offer and sale of the Securities by the Initial Purchasers.

To the extent there are no additional parties listed in the table below other than you, the term "Representatives" as used herein shall mean the Initial Purchasers, and the term Representatives and Initial Purchasers shall mean either the singular or plural as the context requires. The use of the neuter in this Agreement shall include the feminine and masculine wherever appropriate. Certain terms used herein are defined in Section 9 of Annex I hereto. Unless stated to the contrary, any references herein to the terms "amend," "amendment" or "supplement" with respect to the Offering Memorandum shall be deemed to refer to and include any information filed under the Exchange Act subsequent to the Execution Time that is incorporated by reference therein.

Subject to the terms and conditions, and in reliance upon the representations and warranties, set forth or incorporated by reference herein, the Company hereby agrees to sell to the several Initial Purchasers, and each Initial Purchasers agrees, severally and not jointly, to purchase from the Company, the respective principal amounts of Securities set forth below opposite its name at a purchase price of 98.803% of the principal amount of Securities, plus accrued interest, if any, from May 27, 2005 to the date of payment and delivery:

<u>Initial Purchaser</u>	<u>Principal Amount of Securities to Be Purchased</u>
Citigroup Global Markets Inc.	\$ 259,950,000
Greenwich Capital Markets, Inc.	\$ 259,950,000
Wells Fargo Securities, LLC	\$ 29,460,000
Bank of America Securities LLC	\$ 29,460,000
Barclays Capital Inc.	\$ 28,920,000
Commerzbank Capital Markets Corporation	\$ 22,230,000
J.P. Morgan Securities Inc.	\$ 22,230,000
Deutsche Bank Securities Inc.	\$ 22,230,000

Daiwa Securities SMBC Europe Limited	\$	22,230,000
Scotia Capital (USA) Inc.	\$	22,230,000
BNP Paribas Securities Corp.	\$	22,230,000
Goldman, Sachs & Co.	\$	2,220,000
Bear, Stearns & Co. Inc.	\$	2,220,000
Morgan Stanley & Co. Incorporated	\$	2,220,000
Samuel A. Ramirez & Co., Inc	\$	2,220,000
Total	\$	750,000,000

The Initial Purchasers will pay for the Securities upon delivery thereof at the offices of Cleary Gottlieb Steen & Hamilton LLP, One Liberty Plaza, New York, New York at 10:00 a.m. (New York City time) on May 27, 2005, or at such other time, not later than 5:00 p.m. (New York City time) on June 1, 2005, as shall be designated by the Representatives. The time and date of such payment and delivery are hereinafter referred to as the Closing Date.

The Securities shall have the terms set forth in the Offering Memorandum dated May 19, 2005, including the following:

Terms of Securities

Maturity Date:	June 1, 2015
Interest Rate:	5.625%
Optional Redemption:	Make Whole Call at TSY + 30 basis points
Interest Payment Dates:	Each June 1 and December 1, commencing December 1, 2005
Closing Date:	May 27, 2005

All provisions contained in the Annex I hereto, entitled "Purchase Agreement General Provisions," are herein incorporated by reference in their entirety and shall be deemed to be a part of this Agreement to the same extent as if such provisions had been set forth in full herein, except that if any term defined in such document is otherwise defined herein, the definition set forth herein shall control.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this Agreement and your acceptance shall represent a binding agreement between the Company and the Guarantor and the Initial Purchasers.

Very truly yours,

HARRAH'S OPERATING COMPANY, INC.

By: /s/ Jonathan S. Halkyard
Name: Jonathan S. Halkyard
Title: Vice President and Treasurer

HARRAH'S ENTERTAINMENT, INC.

By: /s/ Jonathan S. Halkyard
Name: Jonathan S. Halkyard
Title: Vice President and Treasurer

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

CITIGROUP GLOBAL MARKETS INC.

By: /s/ Evan Ladouceur
Name: Evan Ladouceur

Title: Managing Director

GREENWICH CAPITAL MARKETS, INC.

By: /s/ Robert W. Mitchell

Name: Robert W. Mitchell

Title: Managing Director

for themselves and the other several Initial
Purchasers named in the foregoing Agreement.

5

ANNEX I

HARRAH'S OPERATING COMPANY, INC.

Guaranteed Debt Securities

**Payment of Principal, Interest and
Premium, if any, Guaranteed by**

Harrah's Entertainment, Inc.

PURCHASE AGREEMENT GENERAL PROVISIONS

May 19, 2005

The provisions set forth herein are incorporated by reference in a Purchase Agreement of even date herewith (such agreement, including the provisions hereof as incorporated therein, the "Purchase Agreement"). The Purchase Agreement is sometimes referred to herein as this "Agreement." Terms defined in the Purchase Agreement are used herein as therein defined.

1. Representations and Warranties. The Company and the Guarantor, jointly and severally, represent and warrant to and agree with each of the Initial Purchasers that:

(a) The Offering Memorandum does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Offering Memorandum based upon information relating to any Initial Purchaser furnished to the Company in writing by such Initial Purchaser through the Representatives expressly for use therein;

(b) Each of the Company and the Guarantor has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Offering Memorandum and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole;

(c) Each subsidiary of the Company and the Guarantor, respectively, has been duly organized or formed, as applicable, is validly existing as a corporation, limited

liability company or partnership in good standing under the laws of the jurisdiction of its organization or formation, as applicable, has the power and authority to own its property and to conduct its business as described in the Offering Memorandum and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole; all of the issued shares of capital stock or other equity interests of each subsidiary of the Company and the Guarantor, respectively, have been duly and validly authorized and issued and are fully paid and non-assessable. Except as set forth in or as incorporated by reference in the Offering Memorandum, all of the shares of capital stock or other equity or partnership interests of each subsidiary of the Company or the Guarantor that would be considered a "significant subsidiary" for purposes of Rule 1-02 under Regulation S-X pursuant to the Securities Act (the "Significant Subsidiaries") are owned directly or indirectly by the Company or the Guarantor, respectively, except that 20% of the equity interest in Des Plaines Development Ltd. is not owned directly or indirectly by the Company or the Guarantor. Except as set forth in or as incorporated by reference in the Offering Memorandum, all of the shares of capital stock or other equity or partnership interests of subsidiaries of the Company or the Guarantor held by the Company or the Guarantor are held free and clear of all liens, encumbrances, equities or claims except such liens, encumbrances, equities or claims imposed by Gaming Laws or the terms of any partnership agreement pertaining to any partnership that is a subsidiary of the Company or that would not have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole;

(d) This Agreement has been duly authorized, executed and delivered by each of the Company and the Guarantor;

(e) The Indenture has been, or will be by the Closing Date, duly authorized, executed and delivered by each of the Company and the Guarantor and, assuming due authorization, execution and delivery thereof by the Trustee, is, or will be by the Closing Date, a valid and binding agreement of each of the Company and the Guarantor, respectively, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and general principles of equity;

(f) The Registration Rights Agreement has been, or will be by the Closing Date, duly authorized, executed and delivered by each of the Company and the Guarantor and, assuming due authorization, execution and delivery thereof by the Representatives, is, or will be by the Closing Date, a valid and binding agreement of each of the Company and the Guarantor, respectively, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and general principles of equity;

(g) The Securities have been duly authorized by the Company and the Guarantor and, when executed, authenticated and issued in accordance with the provisions of the Indenture and delivered to and paid for by the Initial Purchasers in

I-2

accordance with the terms of the Purchase Agreement, (assuming due authorization, execution and delivery thereof by the Trustee) will be entitled to the benefits of the Indenture, and will be valid and binding obligations of the Company and the Guarantor, respectively, in each case enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and general principles of equity;

(h) The execution and delivery by each of the Company and the Guarantor of, and the performance by each of the Company and the Guarantor of its respective obligations under, this Agreement, the Indenture, the Registration Rights Agreement and the Securities will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Company or the Guarantor, respectively, or any agreement or other instrument binding upon the Company or any of its subsidiaries, or the Guarantor or any of its subsidiaries, respectively, that is material to the Company or the Guarantor and their respective subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or the Guarantor and any of their respective subsidiaries, and no consent, approval, authorization, filing with or order of, or qualification with, any governmental body or agency is required in connection with, or prior to the consummation of, the transactions contemplated in, or for the performance by the Company or the Guarantor of its respective obligations under, this Agreement, the Indenture, the Registration Rights Agreement and the Securities, except such as will be obtained under the Securities Act, the Exchange Act, and the Trust Indenture Act, or as may be required by the securities or Blue Sky laws of the various states and securities laws of any jurisdiction outside the United States in connection with the offer and sale of the Securities, or as have been obtained pursuant to Gaming Laws;

(i) There has not occurred any material adverse change in the condition, financial or otherwise, or in the earnings, business, operations or prospects of the Company or the Guarantor and their respective subsidiaries, taken as a whole, from that set forth in the Offering Memorandum (exclusive of any amendments or supplements thereto subsequent to the Execution Time);

(j) Except as disclosed in the Offering Memorandum, there are no known legal or governmental proceedings pending or threatened to which the Company or the Guarantor and any of their respective subsidiaries is a party or to which any of the properties of the Company or the Guarantor or any of their respective subsidiaries is subject and that would, individually or in the aggregate, have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole. Neither the Company nor the Guarantor has any reason to believe that any governmental agency with authority pursuant to any Gaming Law is investigating the Company, the Guarantor or any of their respective subsidiaries in any non-routine matter, the results of which would materially affect the operations of the Company and the subsidiaries of the Company. Due to the highly regulated nature of the business of the Company and the subsidiaries of the Company, there are ongoing investigations by various governmental agencies with authority pursuant to the various Gaming Laws;

I-3

(k) Neither the Company nor the Guarantor is, and after giving effect to the offering and sale of the Securities and the application of the proceeds thereof as described in the Offering Memorandum, neither will be, an "investment company" or an entity "controlled by an investment company" as such terms are defined in the Investment Company Act;

(l) The Company and the Guarantor and their respective subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses, and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except in each case where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, individually or in the aggregate, have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole;

(m) There are no costs or liabilities associated with obligations under applicable Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) that would, individually or in the aggregate, have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole;

(n) Except as disclosed in the Offering Memorandum, each of the Company and the Guarantor and their respective subsidiaries has sufficient trademarks, trade names, patent rights, copyrights, or licenses to conduct their respective businesses as now conducted in all material respects;

(o) Except as disclosed in or specifically contemplated by the Offering Memorandum, each of the Company and the Guarantor and their respective subsidiaries has sufficient licenses, approvals and authorizations required pursuant to Gaming Laws to conduct their respective current businesses, except such licenses, approvals and authorizations required pursuant to Gaming Laws the absence of which, either individually or in the aggregate, would not have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole;

(p) Each of the Company's and Guarantor's and their respective subsidiaries' controlling persons, key employees, and, to the Company's or the Guarantor's knowledge, stockholders, have all necessary permits, licenses and other authorizations required by Gaming Laws for the Company, the Guarantor and their respective subsidiaries to conduct their respective businesses as now conducted in all material respects; and neither the Company nor the Guarantor has any knowledge that any of their

I-4

respective stockholders is unsuitable or may be deemed unsuitable by any authorities pursuant to Gaming Laws;

(q) No labor dispute with the employees of the Company or the Guarantor or any of their respective subsidiaries exists, or to the knowledge of the Company or the Guarantor, respectively, is imminent that would, individually or in the aggregate, have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole;

(r) Neither the Company, nor the Guarantor, nor any of their respective affiliates, nor any person acting on its or their behalf other than the Initial Purchasers, has, directly or indirectly, made offers or sales of any security, or solicited offers to buy any security, under circumstances that would require the registration of the Securities under the Securities Act;

(s) Neither the Company, nor the Guarantor, nor any of their respective affiliates, nor any person acting on its or their behalf has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer or sale of the Securities in the United States;

(t) Assuming the accuracy of the representations and warranties and compliance with the agreements of the Initial Purchasers made pursuant to Section 3, and except as described in the Offering Memorandum under "Description of Notes—Registration Rights," it is not necessary in connection with the offer, sale and delivery of the Securities in the manner contemplated by this Agreement and the Offering Memorandum to register the Securities under the Securities Act or to qualify the Indenture under the Trust Indenture Act;

(u) The Securities satisfy the eligibility requirements of Rule 144A(d)(3) under the Securities Act;

(v) Neither the Company, nor the Guarantor, nor any of their respective affiliates, nor any person acting on its or their behalf has engaged in any directed selling efforts with respect to the Securities, and each of them has complied with the offering restrictions requirement of Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S;

(w) The Company and Guarantor are subject to and in compliance in all material respects with the reporting requirements of Section 13 or Section 15(d) of the Exchange Act;

(x) Neither the Company nor the Guarantor has, within the past 12 months, paid or agreed to pay to any person any compensation for soliciting another to purchase any securities of the Company or Guarantor (except as contemplated by this Agreement and the Purchase Agreements dated June 22, 2004 and February 4, 2005 between the Company and the initial purchasers as set forth therein and except in connection with any repurchase by the Guarantor of its outstanding securities (other than the Securities)); and

I-5

(y) The Company and the Guarantor are in compliance in all material respects with all applicable provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations of the Commission adopted thereunder.

2. Payment and Delivery. Except as otherwise provided in this Section 2, payment for the Securities shall be made to the Company in federal or other funds immediately available at the time and place set forth in the Purchase Agreement, upon delivery to the Representatives for the respective accounts of the several Initial Purchasers of the Securities registered in such names and in such denominations as the Representatives shall request in writing not less than one full Business Day prior to the date of delivery, with any transfer taxes payable in connection with the transfer of the Securities to the Initial Purchasers duly paid by the Company. Delivery of the Securities shall be made through the facilities of The Depository Trust Company unless the Representatives shall otherwise instruct.

3. Offering by Initial Purchasers. Each Initial Purchaser, severally and not jointly, represents and warrants to and agrees with the Company and the Guarantor that:

(a) It has not offered or sold, and, until the Securities are registered under the Act as described in the Offering Memorandum under the caption "Description of Notes—Registration Rights," will not offer or sell, any Securities except (i) to those it reasonably believes to be qualified institutional buyers (as defined in Rule 144A under the Act) and that, in connection with each such sale, it has taken or will take reasonable steps to ensure that the purchaser of such Securities is aware that such sale is being made in reliance on Rule 144A; or (ii) in accordance with the restrictions set forth in Exhibit A hereto.

(b) Neither it nor any person acting on its behalf has made or will make offers or sales of the Securities in the United States by means of any form of general solicitation or general advertising (within the meaning of Regulation D) in the United States.

4. Conditions to the Initial Purchasers' Obligations. The several obligations of the Initial Purchasers are subject to the performance by the Company and Guarantor of their obligations hereunder and to the following conditions:

(a) Subsequent to the execution and delivery of the Purchase Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of

the Company's or the Guarantor's securities by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company or the Guarantor and their respective subsidiaries, taken as a whole, from that set forth in the Offering Memorandum (exclusive of any amendments or supplements thereto subsequent

I-6

to the Execution Time) that, in the judgment of the Representatives, is material and adverse and that makes it, in the judgment of the Representatives, impracticable or inadvisable to proceed with the offering, sale or delivery of the Securities on the terms and in the manner contemplated in the Offering Memorandum.

(b) The Initial Purchasers shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of each of the Company and the Guarantor, to the effect set forth in Section 4(a)(i) above and to the effect that the representations and warranties of the Company and the Guarantor, respectively, contained in this Agreement are true and correct as of the Closing Date and that the Company and the Guarantor, respectively, have complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date. The officer signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened.

(c) The Initial Purchasers shall have received on the Closing Date an opinion of Stephen H. Brammell, Senior Vice President and General Counsel of the Company and the Guarantor, dated the Closing Date, to the effect that:

(i) each of the Company, the Guarantor and the Significant Subsidiaries has been duly organized, is validly existing as a corporation, limited liability company or partnership in good standing under the laws of the jurisdiction of its organization, has the power and authority to own its property and to conduct its business as described in the Offering Memorandum and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole.

(ii) after inquiry of the members of the law departments of the Company and Guarantor, to the best of such counsel's knowledge, (A) there are no legal or governmental proceedings pending or threatened to which the Company or the Guarantor and any of their respective subsidiaries is a party or to which any of the properties of the Company or the Guarantor or any of their respective subsidiaries is subject that are not adequately disclosed in the Offering Memorandum and that would, individually or in the aggregate, have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole, (B) there are no material statutes, regulations, contracts or other documents that are not adequately disclosed in the Offering Memorandum, and (C) there is no non-routine investigation of the Company, the Guarantor or any of their respective subsidiaries, by any governmental agency with authority pursuant to any Gaming Law, the results of which would have material adverse effect on the Company, the Guarantor or any of their respective subsidiaries taken as a whole.

I-7

(iii) each of the Company's, and Guarantor's and their respective subsidiaries' controlling persons, and key employees have all necessary permits, licenses and other authorizations required by Gaming Laws for the Company, the Guarantor and their respective subsidiaries to conduct their businesses as now conducted except such licenses, approvals and authorizations required pursuant to Gaming Laws the absence of which, either individually or in the aggregate, would not have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole.

(iv) the statements (A) in the Offering Memorandum under the captions "Regulation and Licensing," and "Legal Matters," (B) in "Item 1 - Business - Patents and Trademarks," "Item 1 - Business - Governmental Regulation" and "Item 3 - Legal Proceedings" of the Guarantor's most recent annual report on Form 10-K in respect of the year ended December 31, 2004, which is incorporated by reference in the Offering Memorandum and (C) in "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Debt and Liquidity" of the Guarantor's most recent annual report on Form 10-K in respect of the year ended December 31, 2004, which is incorporated by reference in the Offering Memorandum, in each case insofar as such statements constitute summaries of the legal matters, documents or proceedings referred to therein, are accurate descriptions or summaries in all material respects.

(v) no consent, approval, authorization of, or qualification with any authority pursuant to Gaming Laws is required with respect to issuance of the Securities or the transactions contemplated by this Agreement, except as has already been obtained or that the state of Nevada and Mississippi have not yet approved any negative pledges that may have been made in the Notes. Neither Nevada nor Mississippi requirements would, individually or in the aggregate, have an adverse material effect on the ability of the Company to issue the Notes or the transactions contemplated by this Agreement, including, without limitation, any investor's ability to purchase and hold the Notes.

(vi) the execution and delivery by each of the Company and the Guarantor of the transactions contemplated in, and the performance by the Company and the Guarantor of its respective obligations pursuant to, this Agreement, the Indenture, the Registration Rights Agreement and the Securities will not contravene, to the best of such counsel's knowledge, any agreement or other instrument binding upon the Company or the Guarantor and any of their respective subsidiaries that is material to the Company or the Guarantor and their respective subsidiaries, taken as a whole, or, except for any approvals required from the Indiana Gaming Commission for the Company to perform its obligations under the Registration Rights Agreement, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or the Guarantor or any of their respective subsidiaries, including without limitation, pursuant to any Gaming Laws.

(d) The Initial Purchasers shall have received on the Closing Date an opinion of Latham & Watkins LLP, outside counsel for the Company and the Guarantor, dated the Closing Date, to the effect that:

- (i) this Agreement has been duly authorized by all necessary corporate action of the Company and the Guarantor, and this Agreement has been duly executed and delivered by the Company and the Guarantor;
- (ii) the Indenture has been duly authorized by all necessary corporate action of the Company and the Guarantor, and the Indenture has been duly executed and delivered by the Company and the Guarantor and is the legally valid and binding agreement of the Company and the Guarantor, enforceable against each of them in accordance with its terms;
- (iii) the Registration Rights Agreement has been duly authorized by all necessary corporate action of the Company and the Guarantor, has been duly executed and delivered by the Company and the Guarantor and is the legally valid and binding agreement of the Company and the Guarantor, enforceable against each of them in accordance with its terms;
- (iv) the Notes have been duly authorized by all necessary corporate action of the Company and, when executed, issued and authenticated in accordance with the terms of the Indenture and delivered to and paid for by the Initial Purchasers in accordance with the terms of this Agreement, will be the legally valid and binding obligations of the Company, enforceable against the Company in accordance with their terms;
- (v) the notation of Guarantee of the Guarantor to be endorsed on the Notes has been duly authorized by all necessary corporate action of the Guarantor and, when executed and delivered in accordance with the terms of the Indenture (assuming the due execution, issuance and authentication of the Notes in accordance with the terms of the Indenture and delivery and payment therefor by the Initial Purchasers in accordance with the terms of this Agreement), the Guarantee will be the legally valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms;
- (vi) the execution and delivery of this Agreement, the Indenture and the Registration Rights Agreement, and the issuance and sale of the Notes and the Guarantee by each of the Company and the Guarantor, respectively, to the Initial Purchasers pursuant to this Agreement, and the performance of the respective obligations of each of the Company and the Guarantor under this Agreement, the Indenture and the Registration Rights Agreement required to be performed on or before the Closing Date, do not:

(A) violate the Company's governing documents or the Guarantor's governing documents, respectively;

(B) violate the Delaware General Corporation Law, or any federal or New York statute, rule or regulation applicable to the Company or the Guarantor, respectively; or

(C) require any consents, approvals, or authorizations to be obtained by the Company or the Guarantor from, or any registrations, declarations or filings to be made by the Company or the Guarantor with, any governmental authority under any federal or New York statute, rule or regulation applicable to the Company or the Guarantor, that have not been obtained or made;

(vii) the statements in the Offering Memorandum under the caption "Description of Notes," insofar as they purport to describe or summarize certain provisions of the Notes and the Guarantee, are accurate descriptions or summaries in all material respects;

(viii) no registration of the Notes or the Guarantee under the Securities Act, and no qualification of the Indenture under the Trust Indenture Act is required for the purchase of the Notes by the Initial Purchasers or the initial resale of the Notes by the Initial Purchasers, in each case, in the manner contemplated by this Agreement and the Offering Memorandum (such counsel may state that it expresses no opinion as to when or under what circumstances the Notes initially sold by the Initial Purchasers may be offered or resold);

(ix) with the consent of the Initial Purchasers based solely on a certificate of an officer of the Company as to factual matters, neither the Company nor the Guarantor is, and immediately after giving effect to the offering and sale of the Notes in accordance with the Purchase Agreement and the application of the proceeds as described in the Offering Memorandum under the caption "Use of Proceeds," will be required to be registered as an "investment company" within the meaning of the Investment Company Act; and

(x) based on such facts and subject to the limitations set forth in the Offering Memorandum, the statements in the Offering Memorandum under the caption "Certain United States Federal Income Tax Consequences," insofar as they purport to summarize certain provisions of the statutes and regulations referred to therein, are accurate summaries in all material respects.

Such counsel may state that the primary purpose of such counsel's professional engagement was not to establish or confirm factual matters or financial or quantitative information, and many determinations involved in the preparation of the Offering Memorandum (and the documents incorporated by reference) are of a wholly or partially non-legal character or related to legal matters outside the scope of such counsel's opinion letter to the Initial Purchasers of even date herewith. Therefore, such counsel is not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in, or incorporated by reference in, the Offering Memorandum (or the incorporated documents) (except to the extent expressly set forth in

numbered paragraphs (vii) and (x) above), and have not made an independent check or verification thereof (except as aforesaid). However, in the course of acting as special counsel to the Company and the Guarantor in connection with the preparation by the Company and the Guarantor of the Offering Memorandum, such counsel reviewed the Offering Memorandum and the incorporated documents, and participated in conferences and telephone conversations with officers and other representatives of the Company, counsel to the Company, the independent public accountants for the Company, representatives of the Initial Purchasers, and counsel for the Initial Purchasers, during which conferences and conversations the contents of the Offering Memorandum (and portions of the incorporated documents) and related matters were discussed. Such counsel also reviewed and relied upon certain corporate records and documents, letters from counsel and accountants, and oral and written statements of officers and other representatives of the Company and others as to the existence and consequence of certain factual and other matters. Such counsel considered the foregoing in light of such counsel's understanding of applicable U.S. federal securities laws and such counsel's experience gained through practice thereunder.

Based on such counsel's participation and review as described above, such counsel shall advise the Initial Purchasers that during the course of such counsel's services in connection with this matter, no facts came to such counsel's attention that caused such counsel to believe that the Offering Memorandum, together with the incorporated documents, as of its date or as of the Closing Date (together with the incorporated documents at that date), contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; it being understood that such counsel expresses no belief with respect to the financial statements, schedules, or other financial data included or incorporated by reference in, or omitted from, the Offering Memorandum or the incorporated documents.

The opinion of Latham & Watkins LLP described in this Section 4(d) shall be rendered to the Initial Purchasers at the request of the Company and the Guarantor and shall so state therein.

(e) The Initial Purchasers shall have received from Cleary Gottlieb Steen & Hamilton LLP counsel for the Initial Purchasers, such opinion or opinions, dated the Closing Date and addressed to the Representatives, with respect to the issuance and sale of the Securities, the Indenture, the Registration Rights Agreement, the Offering Memorandum (as amended or supplemented at the Closing Date) and other related matters as the Representatives may reasonably require, and the Company and the Guarantor shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(f) At the Execution Time and at the Closing Date, Deloitte & Touche LLP shall have furnished to the Initial Purchasers a letter or letters, dated respectively as of the Execution Time and as of the Closing Date, in form and substance satisfactory to the Initial Purchasers, confirming that they are independent accountants within the meaning of the Act and the Exchange Act and stating in effect that:

I-11

(i) in their opinion the audited financial statements and financial statement schedules included or incorporated in the Offering Memorandum (as amended or supplemented at the date of the letter) and reported on by them comply in form in all material respects with the applicable accounting requirements of the Exchange Act and the related published rules and regulations;

(ii) on the basis of a reading of the latest unaudited financial statements made available by the Company, the Guarantor and its subsidiaries; carrying out certain specified procedures (but not an examination in accordance with generally accepted auditing standards which would not necessarily reveal matters of significance with respect to the comments set forth in such letter); a reading of the minutes of the meetings of the stockholders, directors and executive, human resources and audit committees of the Company, the Guarantor and its subsidiaries; and inquiries of certain officials of the Company and of the Guarantor who have responsibility for financial and accounting matters of the Company, the Guarantor and its subsidiaries as to transactions and events subsequent to December 31, 2004, nothing came to their attention which caused them to believe that: with respect to the period subsequent to December 31, 2004, there were any changes, at a specified date not more than five Business Days prior to the date of the letter, in the consolidated long-term debt of the Guarantor or capital stock of the Guarantor or decreases in the stockholders' equity of the Guarantor as compared with the amounts shown on the March 31, 2005 consolidated balance sheet included or incorporated in the Offering Memorandum (as amended or supplemented at the date of the letter), or for the period from April 1, 2005 to such specified date there were any decreases, as compared with the corresponding period in the preceding year in consolidated total revenues or operating income or income before income taxes or the total or per share amounts of consolidated net income of the Guarantor and its subsidiaries, except in all instances for changes or decreases set forth in such letter, in which case the letter shall be accompanied by an explanation by the Company as to the significance thereof unless said explanation is not deemed necessary by the Initial Purchasers.

(iii) the statements and information contained in the letter or letters are of the type ordinarily included in accountants' "comfort letters" to Initial Purchasers with respect to the financial statements and certain financial information contained in or incorporated by reference into the Offering Memorandum.

(g) Subsequent to the Execution Time or, if earlier, the dates as of which information is given in the Offering Memorandum, there shall not have been (i) any change or decrease specified in the letter or letters referred to in paragraph (f) of this Section 4 or (ii) any change, or any development involving a prospective change, in or affecting the business or properties of the Company and the Guarantor and its subsidiaries the effect of which, in any case referred to in clause (i) or (ii) above, is, in the judgment of the Initial Purchasers, so material and adverse as to make it impractical or inadvisable to proceed with the offering, sale or delivery of the Securities as contemplated by the Offering Memorandum.

I-12

(h) As of the Closing Date the Securities shall be rated not lower than BBB- by Standard & Poor's Corporation and Baa3 by Moody's Investors Service, Inc.

(i) The Securities shall be eligible for clearance and settlement through The Depository Trust Company.

(j) Prior to the Closing Date, the Company shall have furnished to the Initial Purchasers such further information, certificates and documents as the Representatives may reasonably request.

5. Covenants of the Company and the Guarantor. In further consideration of the agreements of the Initial Purchasers herein contained, each of the Company and the Guarantor covenants with each Initial Purchaser as follows that:

(a) The Company and the Guarantor shall furnish the Representatives, without charge, prior to 10:00 a.m. New York City time on the second Business Day next succeeding the date of this Agreement and during the period mentioned in Section 5(c) below, as many copies of the Offering Memorandum, any documents incorporated by reference therein and any supplements and amendments thereto as the Representatives may reasonably request.

(b) The Company and the Guarantor shall not amend or supplement the Offering Memorandum without the prior written consent of the Representatives, which shall not be unreasonably withheld or delayed and the Company and the Guarantor shall not file any document under the Exchange Act that is incorporated by reference in the Offering Memorandum unless, prior to such proposed filing, they have furnished the Representatives with a copy of such document for review by the Representatives and the Representatives has not reasonably objected to the filing of such document. The Company or the Guarantor, as the case may be, shall promptly advise the Representatives when any document filed under the Exchange Act that is incorporated by reference in the Offering Memorandum shall have been filed with the Commission.

(c) If, at any time prior to the completion of the sale of the Securities by the Initial Purchasers (as determined by the Representatives), any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Offering Memorandum in order to make the statements therein, in light of the circumstances when the Offering Memorandum is delivered to an Initial Purchaser, not misleading, or if, in the opinion of counsel for the Initial Purchasers, it is necessary to amend or supplement the Offering Memorandum to comply with applicable law, forthwith to notify the Representatives of such event or condition and prepare and furnish, at its own expense, to the several Initial Purchasers and counsel for the Initial Purchasers as they may reasonably request, either amendments or supplements to the Offering Memorandum (in such quantities as the Initial Purchasers may reasonably request) so that the statements in the Offering Memorandum as so amended or supplemented will not, in light of the circumstances when the Offering Memorandum is delivered to an Initial Purchaser, be misleading or so that the Offering Memorandum, as amended or supplemented, will comply with applicable law.

I-13

(d) The Company and Guarantor shall endeavor to qualify the Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Representatives shall reasonably request and promptly advise the Initial Purchasers of the receipt by the Company or the Guarantor of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the initiation or threatening-of any proceeding for such purpose.

(e) The Company and Guarantor shall not, and shall not permit any of their Affiliates to, resell any Securities that have been acquired by any of them, except, in the case of a Controlled Affiliate, until the earlier of (i) the consummation of the Registered Exchange Offer and (ii) the declaration of effectiveness of a Shelf Registration Statement pursuant to the Registration Rights Agreement.

(f) Neither the Company, nor the Guarantor, nor any of their respective Affiliates, nor any person acting on behalf of any of the foregoing, will, directly or indirectly, make offers or sales of any security, or solicit offers to buy any security, under circumstances that would require the registration of the Securities under the Act.

(g) Neither the Company, nor the Guarantor, nor any of their respective Affiliates, nor any person acting on behalf of any of the foregoing, will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer or sale of the Securities in the United States.

(h) So long as any of the Securities are "restricted securities" within the meaning of Rule 144(a)(3) under the Act, each of the Company and the Guarantor will, during any period in which it is not subject to and in compliance with Section 13 or 15(d) of the Exchange Act or it is not exempt from such reporting requirements pursuant to and in compliance with Rule 12g3-2(b) under the Exchange Act, to provide to each holder of such restricted securities and to each prospective purchaser (as designated by such holder) of such restricted securities, upon the request of such holder or prospective purchaser, any information required to be provided by Rule 144A(d)(4) under the Act. This covenant is intended to be for the benefit of the holders, and the prospective purchasers designated by such holders, from time to time of such restricted securities.

(i) Neither the Company, nor the Guarantor, nor any of their respective Affiliates, nor any person acting on behalf of any of the foregoing, will engage in any directed selling efforts with respect to the Securities, and each of them will comply with the offering restrictions requirement of Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

(j) To cooperate with the Representatives and use its best efforts to permit the Securities to be eligible for clearance and settlement through The Depository Trust Company.

(k) During the period beginning at the Execution Time and continuing until the date which is 30 days after the Closing Date, not to offer, sell, contract to sell or otherwise dispose of any debt securities of the Company or warrants to purchase debt

I-14

securities of the Company substantially similar to the Securities (other than (i) the Securities, (ii) commercial paper issued in the ordinary course of business and (iii) borrowings under our credit facility as described in the Offering Memorandum), without the prior written consent of the Representatives.

(l) Not to take, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result, under the Exchange Act or otherwise, in stabilization or manipulation of the price of any security of the Company or the Guarantor to

facilitate the sale or resale of the Securities.

(m) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of the Company's and the Guarantor's obligations under this Agreement, including:

(i) the fees, disbursements and expenses of the Company's and Guarantor's counsel and the Company's and Guarantor's accountants in connection with the registration and delivery of the Securities under the Act and all other fees or expenses in connection with the preparation of the Offering Memorandum and amendments and supplements or amendments to either of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Initial Purchasers and dealers, in the quantities hereinabove specified,

(ii) all costs and expenses related to the transfer and delivery of the Securities to the Initial Purchasers, including any transfer or other taxes payable thereon (but excluding any transfer taxes on resale of any of the Securities by the Initial Purchasers),

(iii) the cost of printing or producing any Blue Sky or legal investment memorandum in connection with the offer and sale of the Securities under state law and all expenses in connection with the qualification of the Securities for offer and sale under state law as provided in Section 5(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Initial Purchasers in connection with such qualification and in connection with the Blue Sky or legal investment memorandum,

(iv) the fees and disbursements of the Trustee and its counsel,

(v) any fees charged by the rating agencies for the rating of the Securities,

(vi) the costs and expenses of the Company and the Guarantor relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Securities, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging

I-15

expenses of the representatives and officers of the Company and the Guarantor and any such consultants, and the cost of any aircraft chartered in connection with the road show, and

(vii) all other costs and expenses incident to the performance of the obligations of the Company and the Guarantor hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 6 entitled "Indemnity and Contribution," and the last paragraph of Section 8 below, the Initial Purchasers will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer payable on resale of the Securities and any advertising expenses connected with any offers they may make.

(n) Each of the Company and the Guarantor agrees to use its best efforts to have the Securities approved for listing on the Luxembourg Stock Exchange and to maintain such listing so long as any of the Securities are outstanding, provided, however, that if it is impracticable or unduly burdensome, in the good faith determination of the Company and the Guarantor, to maintain such listing due to changes in listing requirements (including, but not limited to, the requirement that the Company or the Guarantor publish financial information according to accounting principles that are different from United States generally accepted accounting principles), the Company and the Guarantor may de-list the Securities from the Luxembourg Stock Exchange. The Company and the Guarantor shall have no further obligation in respect of any listing, trading or quotation for the Securities.

6. Indemnity and Contribution.

(a) The Company and the Guarantor, jointly and severally, agree to indemnify and hold harmless each Initial Purchaser and each person, if any, who controls any Initial Purchaser within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Offering Memorandum or amendment or supplement thereto (if the Company or the Guarantor shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Initial Purchaser furnished to the Company in writing by such Initial Purchaser through the Representatives expressly for use therein.

(b) Each Initial Purchaser agrees, severally and not jointly, to indemnify and hold harmless the Company and the Guarantor, and each person, if any, who controls the Company or the Guarantor, respectively, within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity

I-16

from the Company and the Guarantor to such Initial Purchaser, but only with reference to information relating to such Initial Purchaser furnished to the Company in writing by such Initial Purchaser through the Representatives expressly for use in the Offering Memorandum or any amendments or supplements thereto.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to either Section 6(a) or 6(b), such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party, upon request of the indemnified party, shall

retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Representatives, in the case of parties indemnified pursuant to Section 6(a) above, and by the Company, in the case of parties indemnified pursuant to Section 6(b) above. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent (which consent shall not be unreasonably withheld), but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) To the extent the indemnification provided for in Section 6(a) or 6(b) is unavailable to an indemnified party or insufficient in respect of any losses, claims,

I-17

damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Initial Purchasers on the other hand from the offering of the Securities or (ii) if the allocation provided by clause 6(d)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 6(d)(i) above but also the relative fault of the Company and the Guarantor on the one hand and of the Initial Purchasers on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Initial Purchasers on the other hand in connection with the offering of the Securities shall be deemed to be in the same respective proportions as the net proceeds from the offering of such Securities (before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Initial Purchasers bear to the aggregate public offering price of the Securities. The relative fault of the Company and the Guarantor on the one hand and the Initial Purchasers on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Guarantor or by the Initial Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Initial Purchasers' respective obligations to contribute pursuant to this Section 6 are several in proportion to the respective principal amounts of Securities they have purchased hereunder, and not joint.

(e) The Company, the Guarantor and the Initial Purchasers agree that it would not be just or equitable if contribution pursuant to this Section 6 were determined by pro rata allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 6(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6, no Initial Purchaser shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Initial Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 6 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

I-18

(f) The indemnity and contribution provisions contained in this Section 6 and the representations, warranties and other statements of the Company and the Guarantor contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Initial Purchaser or any person controlling any Initial Purchaser or the Company or the Guarantor, or their respective officers or directors or any person controlling the Company or the Guarantor, respectively, and (iii) acceptance of and payment for any of the Securities.

7. Termination. This Agreement shall be subject to termination by notice given by the Representatives to the Company, if (a) after the execution and delivery of the Purchase Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, Inc., the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of the Company or the Guarantor shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in the judgment of the Representatives, is material and adverse and (b) in the case of any of the events specified in clauses 7(a)(i) through 7(a)(iv), such event, individually or together with any other such event, makes it, in the judgment of the

Representatives, impracticable or inadvisable to proceed with the offering, sale or delivery of the Securities on the terms and in the manner contemplated in the Offering Memorandum.

8. **Defaulting Initial Purchasers.** If, on the Closing Date, any one or more of the Initial Purchasers shall fail or refuse to purchase Securities that it has or they have agreed to purchase hereunder on such date, and the aggregate amount of Securities which such defaulting Initial Purchaser or Initial Purchasers agreed but failed or refused to purchase is not more than one-tenth of the aggregate amount of the Securities to be purchased on such date, the other Initial Purchasers shall be obligated severally in the proportions that the amount of Securities set forth opposite their respective names in the Purchase Agreement bears to the aggregate amount of Securities set forth opposite the names of all such non-defaulting Initial Purchasers, or in such other proportions as the Representatives may specify, to purchase the Securities which such defaulting Initial Purchaser or Initial Purchasers agreed but failed or refused to purchase on such date; provided that in no event shall the amount of Securities that any Initial Purchaser has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 8 by an amount in excess of one-ninth of such amount of Securities without the written consent of such Initial Purchaser. If, on the Closing Date, any Initial Purchaser or Initial Purchasers shall fail or refuse to purchase Securities and the aggregate amount of Securities with respect to which such default occurs is more than one-tenth of the aggregate amount of Securities to be purchased on such date, and arrangements satisfactory to the Representatives and the Company for the purchase of such Securities are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Initial Purchaser, the Company or the Guarantor. In any such case either the Representatives or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required

I-19

changes, if any, in the Offering Memorandum or in any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve any defaulting Initial Purchaser from liability in respect of any default of such Initial Purchaser under this Agreement.

If this Agreement shall be terminated by the Initial Purchasers, or any of them, because of any failure or refusal on the part of the Company or the Guarantor to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company or the Guarantor shall be unable to perform its obligations under this Agreement, the Company and the Guarantor will reimburse the Initial Purchasers or such Initial Purchasers as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the reasonable fees and disbursements of their counsel) reasonably incurred by such Initial Purchasers in connection with this Agreement or the offering contemplated hereunder.

9. **Definitions.** The terms which follow, when used in this Agreement, shall have the meanings indicated.

“**Affiliate**” shall have the meaning specified in Rule 501(b) of Regulation D.

“**Business Day**” shall mean any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in The City of New York.

“**Commission**” shall mean the Securities and Exchange Commission.

“**Controlled Affiliate**” means any person or entity that is directly, or indirectly through one or more intermediaries, controlled by the Company, the Guarantor, or both.

“**Exchange Act**” shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

“**Execution Time**” shall mean, the date and time that this Agreement is executed and delivered by the parties hereto.

“**Gaming Laws**” means any foreign, federal, state or local law and the rules and regulations thereunder and any similar laws and regulations governing any aspect of legalized gambling in any foreign, federal, state or local jurisdiction applicable to the Company, the Guarantor or any of their respective subsidiaries.

“**Investment Company Act**” shall mean the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission promulgated thereunder.

“**Registered Exchange Offer**” shall have the meaning ascribed thereto by the Registration Rights Agreement.

“**Regulation D**” shall mean Regulation D under the Act.

“**Regulation S**” shall mean Regulation S under the Act.

I-20

“**Securities Act**” shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

“**Shelf Registration Statement**” shall have the meaning ascribed thereto by the Registration Rights Agreement.

“**Trust Indenture Act**” shall mean the Trust Indenture Act of 1939, as amended, and the rules and regulations of the Commission promulgated thereunder.

10. **Counterparts.** This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

11. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed within the State of New York.

12. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

I-21

EXHIBIT A

Selling Restrictions for Offers and
Sales outside the United States

(1) (a) The Securities have not been and will not be registered under the Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Act or pursuant to an exemption from the registration requirements of the Act. Each Initial Purchaser represents and agrees that, except as otherwise permitted by Section 3(a)(i) of the Agreement to which this is an exhibit, it has offered and sold the Securities, and will offer and sell the Securities, (i) as part of their distribution at any time; and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S under the Act. Accordingly, each Initial Purchaser represents and agrees that neither it, nor any of its Affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Securities, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Initial Purchaser agrees that, at or prior to the confirmation of sale of Securities (other than a sale of Securities pursuant to Section 3(a)(i) of the Agreement to which this is an exhibit), it shall have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Securities from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and May 27, 2005, except in either case in accordance with Regulation S or Rule 144A under the Act. Terms used above have the meanings given to them by Regulation S.”

(b) Each Initial Purchaser also represents and agrees that it has not entered and will not enter into any contractual arrangement with any distributor with respect to the distribution of the Securities, except with its Affiliates or with the prior written consent of the Company.

(c) Terms used in this section have the meanings given to them by Regulation S.

(2) Each Initial Purchaser represents, warrants and agrees that:

(a) it has not offered or sold and, prior to the expiry of a period of six months from the Closing Date, will not offer or sell any Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an

offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the Company or the Guarantor;

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom;

(d) the offer in The Netherlands of the Securities is exclusively limited to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises);

(e) (1) it has not offered or sold and will not offer or sell the Securities in Hong Kong SAR by means of this prospectus or any other document, other than to persons whose ordinary business involves buying or selling shares or debentures, whether as principal or agent or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32 of the laws of Hong Kong SAR), and (2) unless it is a person who is permitted to do so under the securities laws of Hong Kong SAR, it has not issued or held for the purpose of issue in Hong Kong SAR and will not issue or hold for the purpose of issue in Hong Kong SAR the Offering Memorandum, any other offering material or any advertisement, invitation or document relating to the Securities, otherwise than with respect to the Securities intended to be disposed of to persons outside Hong Kong SAR or only to persons whose business involves the acquisition, disposal, or holding of securities, whether as principal or as agent;

(f) the Securities have not been registered under the Securities and Exchange Law of Japan, and it has not offered or sold and will not offer or sell, directly or indirectly, the Securities in Japan or to or for the account of any resident of Japan, except (1) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (2) in compliance with any other applicable requirements of Japanese law; and

(g) the Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, may not be circulated or distributed, nor may the Securities be offered or sold, or be made the subject of an invitation for subscription or

purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (1) to an institutional investor or other person specified in Section

2

274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (2) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

3

I, Gary W. Loveman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Harrah's Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2005

By: /s/ GARY W. LOVEMAN

Gary W. Loveman

*Chairman of the Board, Chief Executive Officer
and President*

I, Charles L. Atwood, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Harrah's Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2005

By: /s/ CHARLES L. ATWOOD
Charles L. Atwood
Senior Vice President and Chief Financial Officer

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Harrah's Entertainment, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2005 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2005

/s/ GARY W. LOVEMAN

Gary W. Loveman
Chairman of the Board,
Chief Executive Officer and President

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Harrah's Entertainment, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2005 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2005

/s/ CHARLES L. ATWOOD

Charles L. Atwood
*Senior Vice President and
Chief Financial Officer*

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.
