

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 September 30, 2006

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 or other jurisdiction
or organization)

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

One Caesars Palace Drive
Las Vegas, Nevada
(Address of principal executive offices)

89109
(Zip Code)

(702) 407-6000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of October 31, 2006, there were 186,020,096 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.

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 Annual Report on Form 10-K for the year ended December 31, 2005, as amended by our Form 10-K/A filed on August 8, 2006, and our Current Report on Form 8-K, filed on August 8, 2006, to present Harrah's Lake Charles as discontinued operations in our consolidated financial statements and notes thereto for the year ended December 31, 2005.

(UNAUDITED)

(In millions, except share amounts)	Sept. 30, 2006	Dec. 31, 2005
ASSETS		
Current assets		
Cash and cash equivalents	\$ 671.9	\$ 724.4
Insurance receivables for hurricane damage	101.4	87.3
Other receivables, less allowance for doubtful accounts of \$112.1 and \$111.8	379.5	340.0
Deferred income taxes	261.7	219.8
Income tax receivable	38.2	77.4
Prepayments and other	172.4	120.7
Inventories	60.7	59.5
Total current assets	<u>1,685.8</u>	<u>1,629.1</u>
Land, buildings, riverboats and equipment	16,179.7	14,664.7
Less: accumulated depreciation	<u>(2,596.4)</u>	<u>(2,151.9)</u>
	13,583.3	12,512.8
Assets held for sale (Notes 1 and 10)	79.8	443.3
Goodwill (Notes 3 and 4)	3,239.5	3,135.5
Intangible assets (Notes 3 and 4)	1,965.9	2,017.9
Deferred costs and other	624.1	779.0
	<u>\$ 21,178.4</u>	<u>\$ 20,517.6</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 366.0	\$ 365.2
Accrued expenses	1,283.0	1,226.2
Current portion of long-term debt (Note 6)	368.6	7.0
Total current liabilities	<u>2,017.6</u>	<u>1,598.4</u>
Liabilities held for sale (Notes 1 and 10)	3.7	12.1
Long-term debt (Note 6)	10,725.5	11,038.8
Deferred credits and other	360.6	324.2
Deferred income taxes	1,947.3	1,847.4
	<u>15,054.7</u>	<u>14,820.9</u>
Minority interests	51.1	31.6
Commitments and contingencies (Notes 6 and 8 through 11)		
Stockholders' equity (Notes 2, 4 and 5)		
Common stock, \$0.10 par value, authorized—720,000,000 shares, outstanding—185,925,060 and 183,833,358 shares (net of 35,711,347 and 35,639,390 shares held in treasury)	18.6	18.4
Capital surplus	5,167.2	5,008.4
Retained earnings	933.9	654.4
Accumulated other comprehensive loss	(3.6)	(5.3)
Deferred compensation related to restricted stock	(43.5)	(10.8)
	<u>6,072.6</u>	<u>5,665.1</u>
	<u>\$ 21,178.4</u>	<u>\$ 20,517.6</u>

See accompanying Notes to Consolidated Condensed Financial Statements.

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

(In millions, except per share amounts)	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenues				
Casino	\$ 2,054.4	\$ 1,883.4	\$ 5,868.7	\$ 4,236.1
Food and beverage	411.7	366.3	1,192.6	744.1
Rooms	310.0	282.0	936.8	515.1
Management fees	23.8	22.5	66.9	55.4
Other	165.9	144.0	452.8	279.5
Less: casino promotional allowances	(453.3)	(425.8)	(1,274.5)	(915.2)
Total revenues	<u>2,512.5</u>	<u>2,272.4</u>	<u>7,243.3</u>	<u>4,915.0</u>
Operating expenses				
Direct				
Casino	1,002.2	918.2	2,873.2	2,086.9
Food and beverage	179.0	170.7	523.5	324.6
Rooms	62.6	55.4	193.8	95.7
Property general, administrative and other	584.0	472.7	1,605.3	1,013.7
Depreciation and amortization	169.3	137.8	487.1	329.1
Write-downs, reserves and recoveries				
Hurricane charges	0.1	10.8	0.1	10.8
Other	(1.4)	(1.8)	8.9	23.4
Project opening costs	5.7	6.8	14.9	12.3
Corporate expense	48.0	32.4	136.1	70.6
Merger and integration costs	3.9	15.2	23.7	35.9

Losses/(income) on interests in nonconsolidated affiliates	0.2	(0.8)	(2.9)	(0.6)
Amortization of intangible assets	17.0	32.5	52.8	39.4
Total operating expenses	2,070.6	1,849.9	5,916.5	4,041.8
Income from operations	441.9	422.5	1,326.8	873.2
Interest expense, net of interest capitalized	(165.7)	(151.1)	(492.2)	(318.6)
Losses on early extinguishments of debt	(0.9)	—	(62.0)	(2.2)
Other income, including interest income	3.0	0.9	4.7	4.0
Income from continuing operations before income taxes and minority interests	278.3	272.3	777.3	556.4
Provision for income taxes	(96.3)	(97.9)	(279.7)	(206.7)
Minority interests	(3.7)	(3.4)	(13.2)	(8.9)
Income from continuing operations	178.3	171.0	484.4	340.8
Discontinued operations				
(Loss)/income from discontinued operations (including gain on sale of \$0, \$0.4, \$0 and \$119.5)	(3.2)	1.8	4.2	152.2
Income tax benefit/(provision)	2.1	(3.8)	(0.5)	(114.4)
Income from discontinued operations, net	(1.1)	(2.0)	3.7	37.8
Net income	\$ 177.2	\$ 169.0	\$ 488.1	\$ 378.6
Earnings per share—basic				
Income from continuing operations	\$ 0.97	\$ 0.94	\$ 2.64	\$ 2.48
Discontinued operations, net	(0.01)	(0.01)	0.02	0.27
Net income	\$ 0.96	\$ 0.93	\$ 2.66	\$ 2.75
Earnings per share—diluted				
Income from continuing operations	\$ 0.96	\$ 0.92	\$ 2.59	\$ 2.44
Discontinued operations, net	(0.01)	(0.01)	0.02	0.27
Net income	\$ 0.95	\$ 0.91	\$ 2.61	\$ 2.71
Dividends declared per share	\$ 0.40	\$ 0.36	\$ 1.13	\$ 1.02
Weighted average common shares outstanding	184.3	182.6	183.8	137.6
Additional shares based on average market price for period applicable to:				
Restricted stock	0.3	0.6	0.4	0.5
Stock options and appreciation rights	1.7	1.9	3.0	1.8
Weighted average common and common equivalent shares outstanding	186.3	185.1	187.2	139.9

See accompanying Notes to Consolidated Condensed Financial Statements.

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

(In millions)	Nine Months Ended September 30,	
	2006	2005
Cash flows from operating activities		
Net income	\$ 488.1	\$ 378.6
Adjustments to reconcile net income to cash flows from operating activities:		
Income from discontinued operations, before income taxes	(4.2)	(152.2)
Losses on early extinguishments of debt	62.0	2.2
Depreciation and amortization	515.4	369.1
Write-downs, reserves and recoveries	0.8	17.6
Other noncash items	32.5	24.2
Share-based compensation expense	38.4	—
Deferred income taxes	35.4	(54.9)
Tax benefit from stock equity plans	1.2	25.2
Minority interests' share of income	13.2	8.9
Income on interests in nonconsolidated affiliates	(2.9)	(0.6)
Returns on investment in nonconsolidated affiliate	2.2	0.4
Net (gains)/losses from asset sales	(2.7)	8.9
Net change in long-term accounts	(5.8)	(96.1)
Net change in working capital accounts	(89.3)	(191.3)
Cash flows provided by operating activities	1,084.3	340.0
Cash flows from investing activities		
Land, buildings, riverboats and equipment additions	(1,654.8)	(839.7)
Investments in and advances to nonconsolidated affiliates	(0.9)	(4.5)
Payment for businesses acquired, net of cash acquired	—	(1,567.8)
Proceeds from sales of discontinued operations	388.5	608.0
Insurance proceeds for hurricane losses for discontinued operations	86.7	9.2
Insurance proceeds for hurricane losses for continuing operations	70.0	9.3
Proceeds from sale of long-term investments	49.4	2.7
Proceeds from other asset sales	18.5	13.6
Increase in construction payables	20.1	—
Other	(26.7)	(22.1)
Cash flows used in investing activities	(1,049.2)	(1,791.3)
Cash flows from financing activities		
Borrowings under lending agreements, net of deferred financing costs	4,544.1	8,523.8
Proceeds from issuance of senior notes, net of issue costs	739.1	2,005.0
Repayments under lending agreements	(4,398.8)	(8,889.9)
Losses on derivative instrument	(2.6)	(7.9)
Scheduled debt retirements	(5.0)	(9.1)
Early extinguishments of debt	(795.0)	(58.3)
Premiums paid on early extinguishments of debt	(56.7)	(2.1)
Dividends paid	(208.3)	(141.5)
Minority interests' contributions/(distributions), net	3.8	(8.3)
Proceeds from exercises of stock options	55.2	102.2
Excess tax benefit from stock equity plans	18.8	—
Other	4.6	1.0
Cash flows (used in)/provided by financing activities	(100.8)	1,514.9
Cash flows from discontinued operations		

Cash flows from operating activities	17.1	39.4
Cash flows from investing activities	(3.9)	(6.4)
Cash flows provided by discontinued operations	13.2	33.0
Net (decrease)/increase in cash and cash equivalents	(52.5)	96.6
Cash and cash equivalents, beginning of period	724.4	489.0
Cash and cash equivalents, end of period	<u>\$ 671.9</u>	<u>\$ 585.6</u>

See accompanying Notes to Consolidated Condensed Financial Statements.

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

(In millions)	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net income	<u>\$ 177.2</u>	<u>\$ 169.0</u>	<u>\$ 488.1</u>	<u>\$ 378.6</u>
Other comprehensive income:				
Foreign currency translation adjustments, net of tax provision/(benefit) of \$0.8, \$0.0, \$0.9 and \$(0.2)	1.0	2.3	1.2	3.0
Net loss on derivative instruments qualifying as cash flow hedges, net of tax benefit of \$3.4	—	—	—	(6.3)
Reclassification of loss on derivative instrument from other comprehensive income to net income, net of tax provision of \$0.0, \$0.1, \$0.2 and \$0.1	0.1	0.1	0.5	0.2
	<u>1.1</u>	<u>2.4</u>	<u>1.7</u>	<u>(3.1)</u>
Comprehensive income	<u>\$ 178.3</u>	<u>\$ 171.4</u>	<u>\$ 489.8</u>	<u>\$ 375.5</u>

See accompanying Notes to Consolidated Condensed Financial Statements.

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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. As of September 30, 2006, we own or manage 36 casinos, primarily in 12 states. Our casino entertainment facilities operate primarily under the Harrah's, Caesars and Horseshoe brand names, and include 19 land-based casinos, 11 riverboat or dockside casinos, four managed casinos on Indian lands, one combination thoroughbred racetrack and casino and one combination greyhound racetrack and casino. We also operate and have an ownership interest in a harness racetrack facility. 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 results of Caesars properties are included in our operating results subsequent to their acquisition. The purchase price allocation began in June 2005 and was completed in the second quarter of 2006. See Note 4 for further information regarding our acquisition of Caesars.

Certain of our properties were sold during each of the periods presented, and prior to their sales, assets and liabilities of these properties were classified in our Consolidated Condensed Balance Sheets as Assets/Liabilities held for sale, and their operating results through the dates of their sales were presented as discontinued operations. In addition to the completed sales, we have also announced plans to sell certain assets and liabilities of other properties that we have classified as Assets/Liabilities held for sale in our Consolidated Condensed Balance Sheets and have included their results in discontinued operations. See Note 10 for further information regarding discontinued operations.

We announced on October 2, 2006, that our Board of Directors established a special committee consisting of all non-management directors in connection with a proposal received from two private equity firms. The special committee continues to review certain strategic matters and there is no assurance that the Company will proceed with a transaction with the private equity firms or any other transaction. Costs incurred in connection with the review by the special committee are included in Merger and integration costs in our Consolidated Condensed Statements of Income.

Note 2—Stock-Based Employee Compensation

In April 2006, our stockholders approved the Harrah's Entertainment, Inc. Amended and Restated 2004 Equity Incentive Award Plan (the "2004 Plan"), which, among other things, increased the number of shares of common stock that may be issued by 11.5 million. Under the 2004 Plan, non-qualified stock options, restricted stock, stock appreciation rights ("SARs"), performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, other stock-based awards and performance-based awards may be granted to employees or consultants of the Company and members of our Board of Directors. Currently, only non-qualified stock options, SARs and restricted stock are outstanding under the 2004 Plan.

Our employees may also be granted restricted stock or options to purchase shares of common stock under the Harrah's Entertainment, Inc. 2001 Broad-based Stock Incentive Plan (the "2001 Plan") and certain types of equity awards under the Caesars Entertainment, Inc. 2004 Long Term Incentive Plan ("Caesars 2004 Plan"). Two hundred thousand shares were authorized for issuance under the 2001 Plan, which is an equity compensation plan not approved by stockholders. No additional shares will be authorized under the 2001 Plan. Due to the increase in shares available for issuance under the 2004 Plan approved by our stockholders in April 2006, we have agreed to not grant any additional awards under the Caesars 2004 Plan.

Effective January 1, 2006, we adopted Statement of Financial Accounting Standards (“SFAS”) No. 123 (revised 2004), “Share-Based Payment,” using the modified prospective application, and, therefore, results for prior periods have not been restated.

As a result of adopting SFAS No. 123(R), we recognized \$15.1 million for stock option and stock appreciation rights expense for third quarter 2006 and \$38.4 million for stock option and stock appreciation rights expense for the nine months ended September 30, 2006. This expense is included in Corporate expense in our 2006 Consolidated Condensed Statements of Income. The total income tax benefit recognized for the quarter and nine months ended September 30, 2006, was approximately \$5.7 million and \$14.6 million, respectively. The incremental expense for stock options impacted diluted earnings per share by \$0.08 and \$0.20 for the quarter and nine months ended September 30, 2006, respectively.

Prior to the adoption of SFAS No. 123(R), we accounted for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees,” under which no compensation expense was recorded as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share as if the Company had adopted SFAS No. 123(R) in the prior period.

(In millions, except per share amounts)	Third Quarter Ended September 30, 2005	Nine Months Ended September 30, 2005
Net income, as reported	\$ 169.0	\$ 378.6
Deduct: Total stock-based employee compensation expense determined under fair-value-based method for all awards, net of related tax effects	(13.2)	(24.0)
Pro forma net income	<u>\$ 155.8</u>	<u>\$ 354.6</u>
Earnings per share:		
Basic—as reported	\$ 0.93	\$ 2.75
Basic—pro forma	0.85	2.58
Diluted—as reported	0.91	2.71
Diluted—pro forma	0.84	2.53

Stock Options

Stock option awards typically vest in equal installments on January 1 following the grant date and on January 1 in each of the two subsequent years and allow the option holder to purchase stock over specified periods of time, generally seven years from the date of grant, at a fixed price equal to the market value at the date of grant.

The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. The expected volatility is a rate based upon the historical volatility of our stock. The expected term is based upon observation of actual time elapsed between the date of grant and exercise of options for all employees. No stock options were awarded in the first nine months of 2006. The assumptions and resulting fair values of options granted in third quarter 2005 and the nine months ended September 30, 2005 are as follows:

	Third Quarter Ended September 30, 2005	Nine Months Ended September 30, 2005
Expected volatility	33.0%	32.7%
Expected dividend yield	2.0%	2.0%
Expected term (in years)	4.8	4.6
Risk-free interest rate	4.0%	3.8%
Weighted average fair value per share of options granted	\$ 21.68	\$ 20.88

The following table presents our stock options granted, exercised and forfeited/expired during the first nine months of 2006.

	Weighted Avg. Exercise Price (Per Share)	Number of Options Outstanding	Weighted Avg. Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Balance—January 1, 2006	\$53.84	12,925,170		
Granted	N/A	—		
Exercised	39.61	(1,424,223)		
Forfeited/expired	62.53	(432,128)		
Balance—September 30, 2006	55.33	<u>11,068,819</u>	4.6	\$ 612.4
Exercisable at September 30, 2006	\$47.80	<u>6,382,927</u>	4.0	305.1

The total intrinsic value of options exercised was \$50.4 million during the nine months ended September 30, 2006, and \$71.8 million during the nine months ended September 30, 2005. As of September 30, 2006, there was \$51.3 million of unrecognized compensation cost, net of estimated forfeitures, related to unvested stock options, which is expected to be recognized over a weighted average period of 1.0 years.

Cash received from option exercises was \$56.4 million during the first nine months of 2006. The tax benefit realized for the tax deduction from option exercises totaled \$17.7 million in the nine months ended September 30, 2006. In the nine months ended September 30, 2005, cash received from option exercises was \$101.6 million, and the tax benefit realized for the tax deduction from option exercises totaled \$25.4 million.

Stock Appreciation Rights

SARs typically vest in equal installments on January 1 following the grant date and on January 1 in each of the two subsequent years. However, awards issued in July 2006 will vest in equal installments on June 30 following the grant date and on June 30 in each of the two subsequent years. SARs allow the holder to receive a payment, in cash or stock, equal to the excess of the fair market value of a specified number of shares of stock on the date the SARs are exercised over an exercise price per share, which typically is the fair market value on the date the SARs were granted.

The fair value of SARs at the date of grant was estimated using the Black-Scholes option pricing model. The expected volatility is a rate based upon the historical volatility of our stock over a time period commensurate with the expected term of the SARs. The expected term is based upon past experience of actual time elapsed between the date of grant and exercise of options for employee groups with similar exercise behaviors. No SARs were awarded prior to first quarter 2006. The assumptions and resulting fair values of SARs granted in third quarter 2006 and the nine months ended September 30, 2006 are as follows:

	Quarter Ended September 30, 2006	Nine Months Ended September 30, 2006
Expected volatility	30.3%	30.4%
Expected dividend yield	2.5%	2.4%
Expected term (in years)	5.1	5.2
Risk-free interest rate	4.3%	4.3%
Weighted average fair value per share of options granted	\$17.35	\$17.56

The following table presents our SARs granted, exercised and forfeited/expired during the first nine months of 2006.

	Weighted Avg. Exercise Price (Per Share)	Number of SARs Outstanding	Weighted Avg. Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Balance—January 1, 2006		—		
Granted	\$ 65.19	3,086,634		
Exercised	—	—		
Forfeited/expired	67.65	(119,352)		
Balance—September, 2006	65.09	<u>2,967,282</u>	6.8	\$ 193.2
Exercisable at September 30, 2006	—	<u>—</u>	—	—

SARs were first issued in first quarter 2006, and no SARs were exercised in the nine months ended September 30, 2006. No SARs vested during the first nine months of 2006. As of September 30, 2006, there was \$43.4 million of unrecognized compensation cost, net of estimated forfeitures, related to unvested SARs, which is expected to be recognized over a weighted average period of 1.4 years.

Restricted Stock

Restricted shares granted have restrictions that may include, but not be limited to, the right to vote, receive dividends on or transfer the restricted stock. Restricted shares may be subject to forfeiture during a specified period or periods prior to vesting. The shares issued under the 2004 Plan generally vest in equal installments on January 1 following the grant date and on January 1 in each of the two subsequent years. However, awards issued in July 2006 will vest in equal installments on June 30 following the grant date and on June 30 in each of the two subsequent years. The compensation arising from a restricted stock grant is based upon the market price at the grant date. Such expense is deferred and amortized to expense over the vesting period.

Members of the Board of Directors can receive either 50% or 100% of his or her director fees in restricted shares. Shares issued to Board members as director fees cannot be disposed of until at least six months after the date of grant.

Pursuant to a Time Accelerated Restricted Stock Award Plan (“TARSAP”), certain key executives were granted restricted stock awards. A portion of these awards were eligible, but did not qualify, for earlier annual vesting beginning in 2003 based on the Company’s financial performance in each year. The remaining unvested shares will vest on January 1, 2007, if the executive continues in active employment until that date. The expense arising from TARSAP awards is being amortized over the periods in which the restrictions lapse.

The following table presents the number and weighted average grant-date fair values of restricted shares granted, vested and forfeited during the nine months ended September 30, 2006, including the TARSAP awards and issues to our Board of Directors.

	Grant Date Fair Value (Per Share)	Number of Shares
Unvested shares—January 1, 2006	\$36.69	983,231
Granted	65.51	744,933
Vested	47.67	(117,012)
Forfeited	69.31	(56,749)
Unvested shares—September 30, 2006	48.48	<u>1,554,403</u>

For the quarter and nine months ended September 30, 2006, we recognized \$5.6 million and \$10.2 million, respectively, of compensation expense related to restricted stock. The total tax benefit recognized for the quarter and nine months ended September 30, 2006, was \$0.4 million and \$1.0 million, respectively. For the quarter and nine months ended September 30, 2005, we recognized \$2.6 million and \$6.0 million, respectively, of compensation expense related to restricted stock. The total tax benefit recognized for the quarter and nine months ended September 30, 2005, was none and \$0.5 million,

respectively. As of September 30, 2006, there was \$47.2 million of unrecognized compensation cost, net of estimated forfeitures, related to unvested restricted stock, which is expected to be recognized over a weighted average period of 1.3 years.

Note 3—Goodwill and Other Intangible Assets

The following table sets forth changes in our goodwill for the period ended September 30, 2006.

<u>(In millions)</u>	
Balance at December 31, 2005	\$3,135.5
Additions or adjustments	104.0
Impairment losses	—
Balance at September 30, 2006	<u>\$3,239.5</u>

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

<u>(In millions)</u>	<u>September 30, 2006</u>			<u>December 31, 2005</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Amortizing intangible assets:						
Trademarks	\$ 31.0	\$ 8.0	\$ 23.0	\$ 29.0	\$ 3.1	\$ 25.9
Gaming rights	37.4	1.8	35.6	20.0	0.5	19.5
Contract rights	131.7	33.1	98.6	130.9	21.8	109.1
Customer relationships	654.2	80.5	573.7	739.2	44.9	694.3
	<u>\$ 854.3</u>	<u>\$ 123.4</u>	<u>730.9</u>	<u>\$ 919.1</u>	<u>\$ 70.3</u>	<u>848.8</u>
Nonamortizing intangible assets:						
Trademarks			570.2			491.1
Gaming rights			664.8			678.0
			<u>1,235.0</u>			<u>1,169.1</u>
Total			<u>\$ 1,965.9</u>			<u>\$ 2,017.9</u>

The aggregate amortization expense for the quarter and nine months ended September 30, 2006, for those assets that are amortized under the provisions of SFAS No. 142 was \$17.0 million and \$52.8 million, respectively.

Estimated annual amortization expense for those assets for the years ending December 31, 2006, 2007, 2008, 2009 and 2010 is \$70.7 million, \$71.3 million, \$69.7 million, \$68.2 million and \$61.1 million, respectively.

Note 4—Acquisitions

Caesars Entertainment

On June 13, 2005, we completed our acquisition of 100% of the outstanding shares of Caesars, pursuant to an Agreement and Plan of Merger. The aggregate 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 \$98 million and acquisition costs of approximately \$59 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 results of the Caesars properties are included with our operating results subsequent to their acquisition on June 13, 2005. Until the purchase price allocation was finalized in second quarter 2006, depreciation and amortization related to the Caesars acquisition was estimated based on our preliminary purchase price allocation and was adjusted according to the final purchase price allocation.

See Note 10 for a discussion of certain operations of Caesars which have been classified as held for sale.

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

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The purchase price allocation for the Caesars acquisition was completed in second quarter 2006. We finalized our review and consideration of the relevant information, including additional support for the valuation of land in the Las Vegas market and for the values assigned to acquired customer relationships, finalized assessments of the exposures we assumed for certain contingent liabilities and determined proper deferred tax assets and liabilities. The following table summarizes the fair values of the assets and liabilities assumed at the date of the acquisition.

<u>(In millions)</u>	<u>At June 13, 2005</u>
Current assets	\$ 820.9
Land, buildings, riverboats and equipment	7,549.1
Long-term assets	232.8
Intangible assets	1,230.7
Goodwill	<u>2,065.3</u>

Total assets acquired	11,898.8
Current liabilities	(978.3)
Deferred income taxes	(1,630.6)
Long-term debt	(3,842.2)
Total liabilities assumed	(6,451.1)
Net assets acquired	<u>\$ 5,447.7</u>

Of the \$1,230.7 million of acquired intangible assets, \$200.0 million has been assigned to gaming rights that are not subject to amortization and \$297.0 million has been assigned to trademarks that are not subject to amortization. The remaining intangible assets include customer relationships estimated at \$625.4 million (14-year weighted-average useful life), contract rights of \$57.3 million (7-year estimated life), gaming rights of \$20.0 million (20-year estimated useful life) and trademarks of \$31.0 million (5-year estimated useful life). The weighted average useful life of all amortizing intangible assets related to the Caesars acquisition is approximately 13 years.

Imperial Palace Hotel & Casino

On December 23, 2005, we acquired the assets of the Imperial Palace Hotel & Casino (“Imperial Palace”) in Las Vegas, Nevada, for approximately \$373.3 million, including acquisition costs of \$3.3 million. No debt was assumed in the transaction. The Imperial Palace occupies an 18.5 acre site on the Las Vegas Strip that is situated between Harrah’s Las Vegas and Flamingo Las Vegas and is across the Strip from Caesars Palace. This acquisition is one of a number of moves designed to strategically position our Company for development in Las Vegas. The results of Imperial Palace are included in our operating results subsequent to its acquisition.

For purposes of these financial statements, we have assumed that the excess of the purchase price over the net book value of the assets acquired is land cost. Values assigned to assets, including land, may be revised after we have reviewed and considered additional information. The purchase price allocation will be completed within one year of the acquisition.

Barbary Coast

We have entered into a definitive agreement to exchange certain real estate that we own on the Las Vegas Strip for the Barbary Coast property. The Barbary Coast is located at the northeast corner of Flamingo Road and Las Vegas Boulevard, between Bally’s Las Vegas and Flamingo Las Vegas. With the closing of the Barbary Coast and other properties under acquisition agreements, we will have a total of nearly 350 acres of land encompassing the area between Paris Las Vegas to the south, Harrah’s Las Vegas to the north, Koval Avenue to the east and the Rio to the west, and we will have essentially completed our

land assemblage goals in Las Vegas. The Barbary Coast transaction, which is subject to regulatory approvals, is expected to close in the first quarter of 2007.

London Clubs International plc

In August 2006, we announced a bid to acquire all of the ordinary shares of London Clubs International plc (“London Clubs”), which operates seven casinos in the United Kingdom, two in Egypt and one in South Africa. London Clubs also has four casinos under development in the United Kingdom. Subsequent to the end of the third quarter, we announced that we had acquired or received acceptances for approximately 83% of the ordinary shares of London Clubs. We expect to own all of the shares of London Clubs during the fourth quarter of 2006 at an aggregate price of approximately \$570 million.

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, 4,000,000 shares designated

In third quarter 2006, our Board of Directors determined to allow Harrah’s Entertainment’s stockholder rights plan to expire, by its terms, without renewal on October 5, 2006. The rights issued under the stockholders rights plan were exercisable only if a person or group acquired 15% or more of Harrah’s Entertainment common stock or announced a tender offer for 15% or more of the common stock.

In February 2006, 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 2006. As of September 30, 2006, no shares have been repurchased under this authorization.

In July 2006, the Company declared a cash dividend of 40 cents per share, which was paid on August 23, 2006, to stockholders of record as of the close of business on August 9, 2006. This represented a 10.3% increase to the regular quarterly dividend. The Company has paid quarterly cash dividends since third quarter 2003. Subsequent to the end of third quarter 2006, we declared a quarterly cash dividend of 40 cents per share, payable on November 22, 2006, to stockholders of record as of the close of business on November 8, 2006.

Note 6—Debt

At September 30, 2006, \$1.4 billion, face amount, of our senior notes are due within one year; however, because the Company has the intent, and currently has sufficient capacity available under its Credit Agreement, to refinance the majority of these notes, only \$0.4 billion are classified as current in our Consolidated Condensed Balance Sheet. The majority of the remaining balance of our debt is due in 2008 and beyond. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows. Long-term obligations are expected to be paid through operating cash flows, refinancing of debt, joint venture partners or, if necessary, additional debt and/or equity offerings.

Credit Agreement

As of September 30, 2006, our credit facility (the “Credit Agreement”) provides for up to \$5.0 billion in borrowings, maturing on April 25, 2011. In third quarter 2006, the Credit Agreement was amended to increase the borrowing capacity from \$4.0 billion to \$5.0 billion. Interest on the Credit Agreement is based on our debt ratings and leverage ratio and is subject to change. As of September 30, 2006, the Credit Agreement bore interest based upon 47.5 basis points over LIBOR and bore a facility fee for borrowed

and unborrowed amounts of 15 basis points, a combined 62.5 basis points. At our option, we may borrow at the prime rate under the Credit Agreement. As of September 30, 2006, \$2.9 billion in borrowings was outstanding under the Credit Agreement with an additional \$0.6 billion committed to back letters of credit. After consideration of these borrowings, but before consideration of amounts borrowed under our commercial paper program, \$1.5 billion of additional borrowing capacity was available to the Company as of September 30, 2006.

Contingent Convertible Senior Notes

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 5.5% at September 30, 2006. 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 a conversion price per share of \$66.83 (the "Conversion Price") at September 30, 2006. This represents a conversion rate of approximately 14.9633 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 decreases when cash dividends are declared so that the Conversion Price equals 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 is 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 is the

pre-dividend sale price. As a result of the 2006 quarterly cash dividends, the Conversion Price was adjusted from \$67.92 at December 31, 2005, to \$66.83 at September 30, 2006.

The notes are redeemable by the Company at any time on or after April 20, 2009, at 100% 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, or 2019 at 100% 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.

Derivative 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 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.

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. As of December 31, 2005, we were a party to five interest rate swaps, including four assumed in the Caesars acquisition, for a total notional amount of \$500 million. In February 2006, we paid approximately \$3.4 million to terminate \$300 million of the interest rate swaps, which represented the fair value of the swaps on the date of termination. Because these swaps no longer qualified for hedge accounting, a \$3.6 million charge was recorded to interest expense in first quarter 2006 to record the change in fair value of these instruments through their termination. We also continue to amortize the fair value adjustments to the hedged item related to these swaps as a credit to interest expense over the life of the debt.

As of September 30, 2006, we have one interest rate swap agreement for a notional amount of \$200 million. The difference to be paid or received under the terms of the interest rate swap agreement is 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 the interest rate swap agreement will have a corresponding effect on future cash flows. The major terms of the interest rate swap are as follows:

<u>Effective Date</u>	<u>Type of Hedge</u>	<u>Fixed Rate Received</u>	<u>Variable Rate Paid as of Sept. 30, 2006</u>	<u>Notional Amount</u>	<u>Maturity Date</u>
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The net income statement impact of the interest rate swaps in the third quarter and the first nine months of 2006 was a charge of approximately \$1.3 million and \$6.2 million, respectively. The net income statement impact for the nine months ended September 30, 2006, includes the charge taken in first quarter to terminate \$300 million of interest rate swaps discussed above.

The Company's remaining interest rate swap qualifies for the "shortcut" method allowed under SFAS No. 133, which allows for an assumption of no ineffectiveness. As such, there is no income statement impact from changes in the fair value of the hedging instrument.

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 September 30, 2006, \$105.6 million was outstanding under this program.

Shelf Registration

To provide for additional financing flexibility, Harrah's Entertainment, in connection with its wholly-owned subsidiary, Harrah's Operating Company, Inc. ("HOC"), filed a shelf registration statement with the Securities and Exchange Commission in April 2006 for a variety of securities, including Harrah's Entertainment's common stock or HOC debt securities. The issue price of Harrah's common stock or the terms and conditions of HOC debt securities, which may be guaranteed by Harrah's Entertainment, will be determined by market conditions at the time of issuance. The shelf registration statement is available until April 2009.

Pursuant to our shelf registration, in June 2006, we issued \$750 million 6.5% Senior Notes due 2016. Net proceeds of \$739.1 million were used to reduce outstanding indebtedness, to consummate the debt tender offers for our 7.5% and 8.0% Senior Notes due in 2009 and 2011, respectively, and for general working capital purposes.

Retirement of Debt

In June 2006, we completed tender offers for a portion of our 7.5% Senior Notes due in January 2009 and our 8.0% Senior Notes due in February 2011. \$363.7 million, face amount, of the 7.5% notes were retired, leaving \$136.3 million outstanding, and \$428.0 million, face amount, of the 8.0% notes were retired, leaving \$72.0 million outstanding. In connection with these retirements of debt, we recorded charges of \$62.0 million representing premiums paid and the write-off of unamortized deferred financing costs.

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.

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)	Nine Months Ended September 30,	
	2006	2005
Interest expense, net of interest capitalized	\$492.2	\$ 318.6
Adjustments to reconcile to cash paid for interest:		
Net change in accruals	1.8	(88.4)
Amortization of deferred finance charges	(6.4)	(9.5)
Net amortization of discounts and premiums	54.5	25.0
Cash paid for interest, net of amount capitalized	\$542.1	\$ 245.7
Cash payments for income taxes, net of refunds	\$174.5	\$ 481.8

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 September 30, 2006, 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 62 months from September 30, 2006, is \$1.2 million. The maximum exposure for the minimum guaranteed payments to the tribes is unlikely to exceed \$70.9 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 or expansion of casino facilities 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 September 30, 2006, of Indian debt that we have guaranteed was \$192.1 million. Our maximum obligation under all of our debt guarantees, including Indian debt guarantees, is \$216.6 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 balances of the liability for the guarantees and of the related assets at September 30, 2006, were \$3.1 million.

In February 2005, we entered into an agreement with the State of Louisiana whereby we extended our guarantee of an annual payment obligation of JCC, our wholly-owned subsidiary, of \$60 million owed to the State of Louisiana. The guarantee was extended for one year to end March 31, 2009.

We are also obligated to pay the State of Illinois annual minimum payments totaling \$159.0 million for gaming taxes. This obligation terminates on July 1, 2007, or earlier if certain gaming license changes occur in Illinois.

In addition to the guarantees discussed above, as of September 30, 2006, we had commitments and contingencies of \$1,529.8 million, including construction-related commitments.

Severance Agreements

As of September 30, 2006, we have severance agreements with 34 of our senior executives, which provide for payments to the executives in the event of their termination before or 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 equity incentive plans, to the extent not vested pursuant to our equity incentive plans. The estimated amount, computed as of September 30, 2006, that would be payable under the agreements to these executives based on the compensation payments and stock awards aggregated approximately \$171.1 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

Certain of our legal proceedings are reported in our Annual Report on Form 10-K for the year ended December 31, 2005, with material developments since that report described below. We are involved in various inquiries, administrative proceedings and litigation relating to contracts, sales of property and other matters arising in the normal course of business. While any proceeding or litigation has an element of uncertainty, 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.

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 appealed the District Court's decision to the United States Court of Appeals for the Second Circuit. The Court of Appeals referred the matter back to the District Court to resolve jurisdictional issues. The Company believes this matter to be without merit and will continue to vigorously contest the case.

Note 10—Discontinued Operations

In first quarter 2006, we determined that Harrah's Lake Charles should be classified as discontinued operations. In May 2006, we signed a definitive agreement to sell the two subsidiaries that own the Harrah's Lake Charles business. These assets are classified in Assets held for sale in our Consolidated Condensed Balance Sheets, and we have ceased depreciating these assets. 2006 results for Harrah's Lake Charles are presented as discontinued operations and 2005 results have been reclassified to conform to the 2006 presentation. No gain or loss is expected on this sale.

In December 2005, we reached an agreement to sell the Grand Casino Gulfport assets in their "as is" condition, and those assets were included in Assets held for sale in our December 31, 2005, Consolidated Balance Sheet. The sale was completed in March 2006. No gain or loss was recorded on the sale.

Included in the Caesars acquisition were Reno Hilton, Flamingo Laughlin Casino and a hotel in Halifax, Nova Scotia, that we 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 through the dates of their sales. We sold the Halifax hotel in November 2005, Flamingo Laughlin in May 2006, and Reno Hilton in June 2006. No gains or losses were recorded on these sales.

On April 26, 2005, we sold the assets and certain related liabilities of Harrah's East Chicago and Harrah's Tunica to an unrelated third party. 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 their results, including the related gain on the sale, were presented as discontinued operations. We reported a pre-tax gain of approximately \$119.6 million on the sale of these two properties in the second quarter of 2005.

Summary operating results for the discontinued operations for 2006 reflect the operating results of Harrah's Lake Charles and of Grand Casino Gulfport, Reno Hilton and Flamingo Laughlin through the dates of their sales in March 2006, June 2006 and May 2006, respectively. Discontinued operations for 2005 include 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), Harrah's Lake Charles and Grand Casino Gulfport, Reno Hilton, Flamingo Laughlin and the Halifax hotel since their acquisition on June 13, 2005.

(In millions)	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net revenues	\$ 0.6	\$ 131.4	\$ 106.8	\$ 344.7
Pretax (loss)/income from discontinued operations	\$ (3.2)	\$ 1.8	\$ 4.2	\$ 152.2
Discontinued operations, net of tax	\$ (1.1)	\$ (2.0)	\$ 3.7	\$ 37.8

Assets held for sale and liabilities related to assets held for sale of Harrah's Lake Charles at September 30, 2006, and Reno Hilton, Flamingo Laughlin, Grand Casino Gulfport and Harrah's Lake Charles at December 31, 2005, are as follows:

(In millions)	Sept. 30, 2006	Dec. 31, 2005
Cash and cash equivalents	\$ —	\$ 20.9
Receivables, net	—	2.3
Inventories	—	2.3
Prepayments and other	—	1.6
Property and equipment, net	60.3	405.7
Deferred costs and other	—	1.4
Total assets held for sale	\$ 60.3	\$ 434.2
Accounts payable	\$ —	\$ 1.2
Accrued expenses	0.7	10.3
Deferred credits and other	2.3	0.1
Total liabilities related to assets held for sale	\$ 3.0	\$ 11.6

Note 11—Hurricane Damaged Properties

Hurricanes Katrina and Rita hit the Gulf Coast in third quarter 2005 and caused significant damage to our assets in Biloxi and Gulfport, Mississippi, and New Orleans and Lake Charles, Louisiana. The current status of the impacted operations is as follows:

- We re-opened Grand Casino Biloxi in August 2006 in a smaller facility.
- We sold the Gulfport assets in their "as is" condition during first quarter 2006. No gain or loss was recognized as a result of this disposition. We will retain all insurance proceeds related to the Gulfport property.
- Our New Orleans property re-opened on February 17, 2006.
- We have signed a definitive agreement to sell the two subsidiaries that own our Lake Charles operations to another casino company. We will retain all insurance proceeds related to the Lake Charles operations.

Insurance covers the repair or replacement of our assets that suffered loss or damage in the hurricanes. We are working closely with our insurance carriers and claims adjusters to ascertain the full amount of insurance proceeds due to us as a result of the damages and losses. Based on current estimates, insurance proceeds are expected to equal or exceed the net book value of the impacted assets; therefore, we do not expect to record a loss after insurance recoveries. Our insurance policies also provide coverage for interruption to our business, including lost profits, and reimbursement for other expenses and costs we have incurred relating to the damages and losses suffered. Due to our expectation that the costs incurred in the aftermath of the storm will be less than the anticipated business interruption insurance proceeds, post-storm costs are being offset by the expected recovery, and there is no current income statement impact. To the extent that business interruption proceeds ultimately exceed the costs incurred, the excess is expected to be recorded as income in the line item, "Write-downs, reserves and recoveries," for properties included in continuing operations and in the line item, "(Loss)/income from discontinued operations," for the properties included in discontinued operations.

We have written off property and inventories that were destroyed by the hurricanes and recorded receivables in anticipation of insurance proceeds that will reimburse us for those losses and for expenses that we expect to recover under our insurance programs. As of September 30, 2006, we had received approximately \$317.6 million in advances from our insurance carriers related to the hurricane damaged properties and had net receivables of \$210.3 million for which we believe collection is probable. The receivable balance is segregated between current and long-term in our Consolidated Condensed Balance Sheet in relation to the nature and classification of the item to be recovered. Our insurance claims and recovery amounts are based on replacement costs and business interruption, including lost profits, and are unrelated to, and likely to be substantially larger than, the receivable recorded.

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 third quarter and the first nine months of 2006 and 2005, updates, and should be read in conjunction with, Management's Discussion and Analysis of Financial Condition and Results of Operations presented in our 2005 Annual Report on Form 10-K, as amended by our Form 10-K/A filed on August 8, 2006, and our Current Report on Form 8-K, filed on August 8, 2006, to present Harrah's Lake Charles as discontinued operations in our consolidated financial statements and notes thereto for the year ended December 31, 2005.

OVERVIEW

Results for the third quarter and the first nine months of 2006 set records for the Company with revenues 10.6% and 47.4% higher, respectively, than in the third quarter and first nine months of 2005. Third quarter increases were driven by strong performance at our Las Vegas properties and favorable results in most of the markets in which we operate. The favorable results were partially offset by lower results from Atlantic City and northern Nevada properties as well as development and master planning costs. For the nine months ended September 30, 2006, favorable results were due primarily to our acquisition of Caesars Entertainment, Inc. ("Caesars") on June 13, 2005. Net income, which was 4.9% higher in third quarter and 28.9% higher in the first nine months of 2006 than in the comparable periods last year, was impacted by losses on early retirements of debt of \$62.0 million and higher interest expense. Diluted earnings per share for the nine months ended September 30, 2006, was lower than in the corresponding period last year due to the additional shares issued in connection with the Caesars acquisition.

Significant events that occurred during 2006 are listed below. These items are discussed in greater detail elsewhere in our discussion of operating results.

- Subsequent to the end of third quarter, Harrah's Entertainment announced the formation of a special committee consisting of all non-management directors in connection with a proposal received from two private equity firms, and the special committee continues to review certain strategic matters
- Subsequent to the end of third quarter, Harrah's Entertainment announced that it had acquired or received acceptances for approximately 83% of the ordinary shares of London Clubs International plc ("London Clubs")
- We have entered into a definitive agreement to acquire the Barbary Coast property in Las Vegas, which will essentially complete our land assemblage goals in Las Vegas
- In August, Grand Casino Biloxi re-opened after being closed for a year due to Hurricane Katrina
- In September, Harrah's Chester Casino and Racetrack ("Harrah's Chester") opened for simulcasting and live harness racing
- In September, a hotel at Harrah's New Orleans opened
- The terms of our credit facility were amended in September to increase our borrowing capacity from \$4 billion to \$5 billion. In April, the terms of our credit facility were amended to lower the interest rate and extend the maturity
- In June, we retired \$363.7 million, face value, of our 7.5% Senior Notes due in 2009 and \$428.0 million, face value, of our 8.0% Senior Notes due in 2011

- In June, we issued \$750 million of 6.5% Senior Notes due 2016
- In June, the sale of Reno Hilton, which was acquired from Caesars, was consummated
- In May, the sale of Flamingo Laughlin, which was acquired from Caesars, was consummated
- In May, we signed a definitive agreement to acquire the remaining assets of Casino Magic Biloxi
- In May, we signed a definitive agreement to sell two of our subsidiaries that own businesses in Lake Charles, Louisiana
- In March, we sold the remaining assets of Grand Casino Gulfport
- Horseshoe Council Bluffs opened on March 15, 2006, and is the first property to be re-branded under the Horseshoe brand
- Harrah's New Orleans re-opened on February 17, 2006, after being closed for almost six months due to Hurricane Katrina
- We began expensing stock-based compensation in 2006

OPERATING RESULTS AND DEVELOPMENT PLANS

Overall

(In millions, except earnings per share)	Third Quarter		Percentage Increase/ (Decrease)	First Nine Months		Percentage Increase/ (Decrease)
	2006	2005		2006	2005	
Casino revenues	\$ 2,054.4	\$ 1,883.4	9.1%	\$ 5,868.7	\$ 4,236.1	38.5%
Total revenues	2,512.5	2,272.4	10.6%	7,243.3	4,915.0	47.4%
Income from operations	441.9	422.5	4.6%	1,326.8	873.2	51.9%
Income from continuing operations	178.3	171.0	4.3%	484.4	340.8	42.1%
Net income	177.2	169.0	4.9%	488.1	378.6	28.9%
Earnings per share—diluted						
From continuing operations	0.96	0.92	4.3%	2.59	2.44	6.1%
Net income	0.95	0.91	4.4%	2.61	2.71	(3.7)%
Operating margin	17.6%	18.6%	(1.0)pts	18.3%	17.8%	0.5pts

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 than would be possible on a consolidated basis, our properties have been grouped as follows to facilitate discussion of our operating results:

Las Vegas	Atlantic City	Louisiana/Mississippi	Iowa/Missouri
Caesars Palace	Harrah's Atlantic City	Harrah's New Orleans	Harrah's St. Louis
Bally's Las Vegas	Showboat Atlantic City	Harrah's Louisiana Downs	Harrah's North Kansas City
Flamingo Las Vegas	Bally's Atlantic City	Horseshoe Bossier City	Harrah's Council Bluffs
Harrah's Las Vegas	Caesars Atlantic City	Grand Biloxi	Horseshoe Council Bluffs/ Bluffs Run
Paris Las Vegas	Harrah's Chester	Grand Tunica	
Rio		Horseshoe Tunica	
Imperial Palace		Sheraton Tunica	

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Illinois/Indiana	Other Nevada	Managed/International/Other
Caesars Indiana	Harrah's Reno	Harrah's Ak-Chin
Harrah's Joliet	Harrah's Lake Tahoe	Harrah's Cherokee
Harrah's Metropolis	Harveys Lake Tahoe	Harrah's Prairie Band
Horseshoe Hammond	Bill's Lake Tahoe	Harrah's Rincon
	Harrah's Laughlin	Conrad Punta del Este

Hurricane Damaged Properties

Hurricanes Katrina and Rita hit the Gulf Coast in third quarter 2005 and caused significant damage to our assets in Biloxi and Gulfport, Mississippi, and New Orleans and Lake Charles, Louisiana. The current status of the impacted operations is as follows:

- Grand Casino Biloxi re-opened in August 2006 in a smaller facility.
- We sold the Gulfport assets in their "as is" condition during first quarter 2006. No gain or loss was recognized as a result of this disposition. We will retain all insurance proceeds related to the Gulfport property.
- Our New Orleans property re-opened on February 17, 2006.
- We have signed a definitive agreement to sell the two subsidiaries that own our Lake Charles operations to another casino company. We will retain all insurance proceeds related to the Lake Charles operations.

Insurance covers the repair or replacement of our assets that suffered loss or damage in the hurricanes. We are working closely with our insurance carriers and claims adjusters to ascertain the full amount of insurance proceeds due to us as a result of the damages and losses. Based on current estimates, insurance proceeds are expected to equal or exceed the net book value of the impacted assets; therefore, we do not expect to record a loss after insurance recoveries. Our insurance policies also provide coverage for interruption to our business, including lost profits, and reimbursement for other expenses and costs we have incurred relating to the damages and losses suffered. Due to our expectation that the costs incurred in the aftermath of the storm will be less than the anticipated business interruption insurance proceeds, post-storm costs are being offset by the expected recovery, and there is no current income statement impact. To the extent that business interruption proceeds ultimately exceed the costs incurred, the excess is expected to be recorded as income in the line item, "Write-downs, reserves and recoveries," for properties included in continuing operations and in the line item, "(Loss)/income from discontinued operations," for the properties included in discontinued operations.

We have written off property and inventories that were destroyed by the hurricanes and recorded receivables in anticipation of insurance proceeds that will reimburse us for those losses and for expenses that we expect to recover under our insurance programs. As of September 30, 2006, we had received approximately \$317.6 million in advances from our insurance carriers related to the hurricane damaged properties and had net receivables of \$210.3 million for which we believe collection is probable. The receivable balance is segregated between current and long-term in our Consolidated Condensed Balance Sheet in relation to the nature and classification of the item to be recovered. Our insurance claims and recovery amounts are based on replacement costs and business interruption, including lost profits, and are unrelated to, and likely to be substantially larger than, the receivable recorded.

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Las Vegas Results

(In millions)	Third Quarter		Percentage Increase/ (Decrease)	First Nine Months		Percentage Increase/ (Decrease)
	2006	2005		2006	2005	
Casino revenues	\$ 436.6	\$ 338.9	28.8%	\$ 1,267.4	\$ 678.5	86.8%
Total revenues	812.4	670.1	21.2%	2,441.4	1,235.0	97.7%
Income from operations	192.1	146.3	31.3%	635.9	295.6	N/M
Operating margin	23.6%	21.8%	1.8pts	26.0%	23.9%	2.1pts

N/M = Not Meaningful

Record third quarter revenues and income from operations in 2006 were driven by strong cross-property visitation and from the acquisition of Imperial Palace in December 2005. The strong results at our Las Vegas properties were aided by the 2006 World Series of Poker, which was hosted by the Rio Hotel & Casino in August.

For the nine months ended September 30, 2006, increases were driven by the results from the Caesars properties for the full nine months in 2006 vs. approximately 3½ months in 2005 and results from Imperial Palace, which was acquired in December 2005. Strong visitation and cross-market play also

contributed to the strong performance. The Caesars properties contributed \$1,543.0 million in revenues and \$402.8 million in income from operations in the first nine months of 2006 vs. \$512.5 million in revenues and \$104.9 million in income from operations for the 3½ months of 2005.

We have entered into a definitive agreement to exchange certain real estate that we own on the Las Vegas Strip for the Barbary Coast property. The Barbary Coast is located at the northeast corner of Flamingo Road and Las Vegas Boulevard, between Bally's Las Vegas and Flamingo Las Vegas. With the closing of the Barbary Coast and other properties under acquisition agreements, we will have a total of nearly 350 acres of land encompassing the area between Paris Las Vegas to the south, Harrah's Las Vegas to the north, Koval Avenue to the east and the Rio to the west, and we will have essentially completed our land assemblage goals in Las Vegas. The Barbary Coast transaction, which is subject to regulatory approvals, is expected to close in the first quarter of 2007.

We are in the process of determining the best way to maximize the value of our real estate assemblage for this prime acreage on the Las Vegas Strip.

Atlantic City Results

(In millions)	Third Quarter		Percentage Increase/ (Decrease)	First Nine Months		Percentage Increase/ (Decrease)
	2006	2005		2006	2005	
Casino revenues	\$ 576.7	\$ 576.4	0.1%	\$ 1,620.9	\$ 1,041.4	55.6%
Total revenues	560.2	562.1	(0.3)%	1,571.4	1,004.3	56.5%
Income from operations.	136.2	150.5	(9.5)%	356.3	257.0	38.6%
Operating margin	24.3%	26.8%	(2.5)pts	22.7%	25.6%	(2.9)pts

Third quarter revenues in Atlantic City were even with last year's third quarter revenues, and income from operations was below third quarter last year due to a three-day government-imposed casino shutdown during the quarter and increased competitive activity. Casinos in Atlantic City were closed from July 5 until July 8, 2006, as non-essential state agencies, including the New Jersey Casino Control Commission, were shut down by the state due to lack of a budget agreement for the state. In New Jersey, Casino Control Commission Inspectors must be on site in order for casinos to operate.

We are taking steps to adjust our promotional efforts in Atlantic City in an effort to increase the effectiveness and efficiency of our operations there.

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Increases in revenues and income from operations in the first nine months of 2006 were due to the contributions from the Caesars properties. The two properties acquired from Caesars contributed \$906.1 million in total revenues and \$197.3 million in income from operations to our results for the nine months ended September 30, 2006.

Harrah's Chester opened for simulcasting and live harness racing on September 10, 2006. Harrah's owns a 50 percent interest in Chester Downs & Marina, LLC ("CD&M"), an entity that owns Harrah's Chester, a 5th-mile harness racetrack facility located approximately six miles south of Philadelphia International Airport. The casino at Harrah's Chester is scheduled to open in January 2007. This project is expected to cost approximately \$425 million, \$209.6 million of which had been spent as of September 30, 2006. Harrah's Entertainment is providing financing for the project and will manage the operations at Harrah's Chester. We are consolidating CD&M in our financial statements.

The Pier, a luxury retail shopping complex at Caesars Atlantic City, opened partially in June 2006 and is expected to attract visitation to our center Boardwalk properties.

Construction is underway on an upgrade and expansion of Harrah's Atlantic City, which will include a new hotel tower with approximately 1,000 rooms, a casino expansion and a retail and entertainment complex. We expect the retail and entertainment center to open in the second quarter of 2007 and the new hotel tower to open in the second quarter of 2008. This project is expected to cost approximately \$550 million, \$57.6 million of which had been spent as of September 30, 2006.

Louisiana/Mississippi Results

(In millions)	Third Quarter		Percentage Increase/ (Decrease)	First Nine Months		Percentage Increase/ (Decrease)
	2006	2005		2006	2005	
Casino revenues	\$ 365.5	\$ 319.5	14.4%	\$ 1,000.1	\$ 829.5	20.6%
Total revenues	376.1	326.5	15.2%	1,019.4	830.9	22.7%
Income from operations	73.7	46.4	58.8%	201.7	128.6	56.8%
Operating margin	19.6%	14.2%	5.4pts	19.8%	15.5%	4.3pts

Grand Casino Gulfport was sold in March 2006, and the decision was made in first quarter 2006 to sell Harrah's Lake Charles. Results of Grand Casino Gulfport and Harrah's Lake Charles are classified as discontinued operations and are, therefore, not included in our Louisiana/Mississippi grouping.

Combined third quarter revenues and income from operations from our properties in Louisiana and Mississippi were higher than in the third quarter of 2005 due to results from Harrah's New Orleans for the full quarter vs. two months in third quarter 2005 and gains at the Horseshoe properties.

For the nine months ended September 30, 2006, combined revenues and income from operations from our properties in Louisiana and Mississippi were higher than in the first nine months of 2005 due to contributions of the Caesars properties that were acquired in June 2005 and strong performances by other properties in the grouping. Harrah's New Orleans re-opened February 17, 2006, after being closed for almost six months as a result of Hurricane Katrina. The Caesars properties contributed \$287.0 million in total revenues and \$53.5 million in income from operations in the first nine months of 2006.

The 26-story, 450-room hotel at Harrah's New Orleans opened in September 2006.

After being closed for a year due to Hurricane Katrina, Grand Casino Biloxi opened in August 2006 with approximately 650 slot machines and 20 table games, a 500-room hotel, restaurants and other amenities. We continue to examine our options for an expanded facility in Biloxi. In May 2006, we signed a definitive agreement to acquire the remaining assets of Casino Magic Biloxi. The transaction, which is subject to regulatory approvals, is expected to close in the fourth quarter of 2006.

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Iowa/Missouri Results

(In millions)	Third Quarter		Percentage Increase/ (Decrease)	First Nine Months		Percentage Increase/ (Decrease)
	2006	2005		2006	2005	
Casino revenues	\$ 195.1	\$ 184.4	5.8%	\$ 579.0	\$ 545.2	6.2%
Total revenues	206.4	184.2	12.1%	607.0	548.9	10.6%
Income from operations	33.8	30.1	12.3%	99.2	92.6	7.1%
Operating margin	16.4%	16.3%	0.1 pts	16.3%	16.9%	(0.6)pts

Combined third quarter 2006 revenues and income from operations at our Iowa and Missouri properties increased over last year's third quarter, driven by increased visitation and capital investments in those markets.

For the nine months ended September 30, 2006, gains in revenues and income from operations were primarily due to improved performance at our recently re-branded Horseshoe Council Bluffs and at Harrah's St. Louis.

In March 2006, following an \$87 million renovation and expansion, the former Bluffs Run Casino officially became Horseshoe Council Bluffs. Horseshoe Council Bluffs is the first property to be converted to a Horseshoe since we acquired the brand. The Bluffs Run Greyhound Racetrack remains in operation at the property.

Illinois/Indiana Results

(In millions)	Third Quarter		Percentage Increase/ (Decrease)	First Nine Months		Percentage Increase/ (Decrease)
	2006	2005		2006	2005	
Casino revenues	\$ 324.5	\$ 302.3	7.3%	\$ 956.6	\$ 752.2	27.2%
Total revenues	314.4	292.9	7.3%	926.6	722.8	28.2%
Income from operations	56.3	52.3	7.6%	172.7	138.3	24.9%
Operating margin	17.9%	17.9%	—	18.6%	19.1%	(0.5)pts

Combined third quarter 2006 revenues and income from operations increased over last year's third quarter revenues and income from operations due primarily to favorable results from our Illinois properties driven, in part, by the new 258-room hotel and event center at Harrah's Metropolis that opened in late June of 2006.

Results for the first nine months of 2006 were driven by results from Caesars Indiana for nine months of 2006 vs. 3¹/₂ months in 2005 and strong performance at Harrah's Joliet. Caesars Indiana contributed \$258.5 million in total revenues and \$43.9 million in income from operations in the first nine months of 2006.

Construction began in second quarter 2006 on the renovation and expansion of Horseshoe Hammond, which will include a two-level entertainment vessel including a 108,000 square-foot casino. The project is expected to cost approximately \$485 million, \$37.3 million of which had been spent as of September 30, 2006. The project is tentatively scheduled for completion in mid-2008.

Other Nevada Results

(In millions)	Third Quarter		Percentage Increase/ (Decrease)	First Nine Months		Percentage Increase/ (Decrease)
	2006	2005		2006	2005	
Casino revenues	\$ 144.2	\$ 147.2	(2.0)%	\$ 390.0	\$ 371.3	5.0%
Total revenues	183.4	186.2	(1.5)%	494.8	471.6	4.9%
Income from operations	41.3	50.4	(18.1)%	90.3	87.3	3.4%
Operating margin	22.5%	27.1%	(4.6)pts	18.2%	18.5%	(0.3)pts

Third quarter 2006 revenues and income from operations from our Nevada properties outside of Las Vegas were lower than in third quarter 2005 due primarily to low hold at our Lake Tahoe properties.

For the first nine months of 2006, revenues and income from operations from our Nevada properties outside of Las Vegas were higher than in the same period last year driven by strong visitation to the markets and favorable weather conditions in northern Nevada during first quarter of 2006 compared to first quarter last year.

Managed/International/Other

(In millions)	Third Quarter		Percentage Increase/ (Decrease)	First Nine Months		Percentage Increase/ (Decrease)
	2006	2005		2006	2005	
Casino revenues	\$ 11.8	\$ 14.8	(20.3)%	\$ 54.7	\$ 18.1	N/M
Total revenues	59.6	50.4	18.3%	182.7	101.5	80.0%
Loss from operations	(39.6)	(5.9)	N/M	(69.5)	(19.7)	N/M

Managed, international and other results include income from our managed properties, results of our international properties and certain marketing and administrative expenses, including development costs, and income from our nonconsolidated subsidiaries. The unfavorable results for the quarter and nine months ended September 30, 2006, were driven by significantly higher development costs. Costs for pursuit of projects and concept development were \$28.4

million and \$50.9 million in the third quarter and first nine months, respectively, of 2006, compared to \$8.3 million and \$20.7 million in the same respective periods of 2005.

In August 2006, we announced a bid to acquire all of the ordinary shares of London Clubs, which operates seven casinos in the United Kingdom, two in Egypt and one in South Africa. London Clubs also has four casinos under development in the United Kingdom. Subsequent to the end of the third quarter, we announced that we had acquired or received acceptances for approximately 83% of the ordinary shares of London Clubs. We expect to own all of the shares of London Clubs during the fourth quarter of 2006 at an aggregate price of approximately \$570 million.

Other Factors Affecting Net Income

(In millions) (Income)/expense	Third Quarter		Percentage Increase/ (Decrease)	First Nine Months		Percentage Increase/ (Decrease)
	2006	2005		2006	2005	
Write-downs, reserves and recoveries	\$ (1.3)	\$ 9.0	N/M	\$ 9.0	\$ 34.2	(73.7)%
Project opening costs	5.7	6.8	(16.2)%	14.9	12.3	21.1%
Corporate expense	48.0	32.4	48.1%	136.1	70.6	92.8%
Merger and integration costs	3.9	15.2	(74.3)%	23.7	35.9	(34.0)%
Amortization of intangible assets	17.0	32.5	(47.7)%	52.8	39.4	34.0%
Interest expense, net	165.7	151.1	9.7%	492.2	318.6	54.5%
Losses on early extinguishments of debt	0.9	—	N/M	62.0	2.2	N/M
Other income	(3.0)	(0.9)	N/M	(4.7)	(4.0)	17.5%
Effective tax rate	35.1%	36.4%	(1.3)pts	36.6%	37.8%	(1.2)pts
Minority interests	\$ 3.7	\$ 3.4	8.8%	\$ 13.2	\$ 8.9	48.3%
Discontinued operations, net of income taxes	1.1	2.0	(45.0)%	(3.7)	(37.8)	(90.2)%

N/M = Not Meaningful

Write-downs, reserves and recoveries include various pre-tax charges to record demolition costs, conversion charges, litigation settlement, recoveries of previously recorded charges and other nonroutine transactions.

Project opening costs include costs incurred in connection with expansion and re-branding projects at various properties.

Corporate expense increased in third quarter of 2006 from the prior year due primarily to the implementation of Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment," in first quarter 2006. For the first nine months of 2006, corporate expense was higher than in the first nine months of 2005 due to the implementation of SFAS No. 123(R), incremental corporate expense arising from the Caesars transaction and the cost of transforming our corporate centers to manage the combined company. Our third quarter and first nine months of 2006 financial results include \$15.1 million and \$38.4 million, respectively, in expense due to the implementation of SFAS No. 123(R). Due to the timing of our annual stock awards grant, our expense will be higher in the last half of 2006 than it was in the first half.

We announced on October 2, 2006, that our Board of Directors established a special committee consisting of all non-management directors in connection with a proposal received from two private equity firms. The special committee continues to review certain strategic matters and there is no assurance that the Company will proceed with a transaction with the private equity firms or any other transaction. Merger and integration costs include costs for consultants and dedicated internal resources executing the plans for the integration of Caesars into Harrah's Entertainment and costs in connection with the review of certain strategic matters by the special committee.

Amortization of intangible assets was lower in the third quarter of 2006 than in the same quarter last year when amortization expense was estimated pending the final purchase price allocation for the Caesars acquisition. For the first nine months of 2006, amortization of intangible assets was higher than in the first nine months last year due to amortization of intangible assets acquired from Caesars on June 13, 2005.

Interest expense was higher in the third quarter of 2006 than in third quarter last year due to increased borrowings and higher interest rates on our variable-rate debt. Interest expense increased in the first nine months of 2006 from the same period in 2005 due to debt assumed in the Caesars acquisition, increased borrowings related to our acquisition of Caesars and higher interest rates on our variable-rate

debt. The average interest rate on our variable-rate debt, excluding the impact of our swap agreement, was 5.8% and 4.2% at September 30, 2006 and 2005, 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 \$36.3 million, or \$9.1 million per quarter. Our variable-rate debt, including \$200 million of fixed-rate debt for which we have entered into an interest rate swap agreement, represents approximately 33% of our total debt, while our fixed-rate debt is approximately 67% of our total debt. Included in first nine months 2006 interest expense is \$3.6 million to adjust the liability to market value of interest rate swaps that were terminated during the first quarter. (For discussion of our interest rate swap agreement, see DEBT AND LIQUIDITY, Derivative Instruments.)

Losses on early extinguishments of debt represents premiums paid and the write-off of unamortized deferred financing costs associated with the June 2006 retirement of portions of our 7.5% Senior Notes due in January 2009 and our 8.0% Senior Notes due in February 2011 and with the February 2005 retirement of a portion of our 7.875% Senior Subordinated Notes due in December 2005.

Other income was higher in third quarter and first nine months of 2006 than in the same periods last year due primarily to a gain on the sale of a corporate aircraft.

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 lower in third quarter and the first nine months of 2006 than in the corresponding periods in the prior year due to provision-to-return adjustments in third quarter 2006.

Excluding the provision-to-return adjustments to our 2005 tax return, our estimated tax rate for 2006 is 38%.

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

2006 Discontinued operations reflect the results of Reno Hilton, Flamingo Laughlin and Grand Casino Gulfport prior to their sales and of Harrah's Lake Charles. Grand Casino Gulfport was sold in March 2006, Flamingo Laughlin was sold in May 2006 and Reno Hilton was sold in June 2006. 2005 results were restated to reflect the results of Harrah's Lake Charles in Discontinued operations. Discontinued operations for 2005 also included Harrah's East Chicago and Harrah's Tunica, which were sold in April 2005, and a hotel in Halifax, Nova Scotia, which was sold in November 2005.

CAPITAL SPENDING AND DEVELOPMENT

In addition to the development and expansion projects discussed in the OPERATING RESULTS AND DEVELOPMENT PLANS section, we also perform on-going refurbishment and maintenance at our casino entertainment facilities to maintain our quality standards, and we 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 and future projects that may develop as we explore options throughout the world, 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 nine months of 2006 totaled approximately \$1.7 billion. Estimated total capital expenditures for 2006 are expected to be between \$2.1 billion and \$2.3 billion, excluding estimated expenditures for the acquisition of London Clubs.

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 nine months of 2006 and 2005, we reported cash flows from operating activities of \$1,084.3 million and \$340.0 million, respectively.

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

Our cash and cash equivalents totaled approximately \$671.9 million at September 30, 2006, compared to \$585.6 million at September 30, 2005.

At September 30, 2006, \$1.4 billion, face amount, of our senior notes are due within one year; however, because the Company has the intent, and currently has sufficient capacity available under its Credit Agreement, to refinance the majority of these notes, only \$0.4 billion are classified as current in our Consolidated Condensed Balance Sheet. The majority of the remaining balance of our debt is due in 2008 and beyond. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows. Long-term obligations are expected to be paid through operating cash flows, refinancing of debt, joint venture partners or, if necessary, additional debt and/or equity offerings.

Credit Agreement

As of September 30, 2006, our credit facility (the "Credit Agreement") provides for up to \$5.0 billion in borrowings, maturing on April 25, 2011. In third quarter 2006, the Credit Agreement was amended to increase the borrowing capacity from \$4.0 billion to \$5.0 billion. Interest on the Credit Agreement is based on our debt ratings and leverage ratio and is subject to change. As of September 30, 2006, the Credit Agreement bore interest based upon 47.5 basis points over LIBOR and bore a facility fee for borrowed and unborrowed amounts of 15 basis points, a combined 62.5 basis points. At our option, we may borrow at the prime rate under the Credit Agreement. As of September 30, 2006, \$2.9 billion in borrowings was outstanding under the Credit Agreement with an additional \$0.6 billion committed to back letters of credit. After consideration of these borrowings, but before consideration of amounts borrowed under our commercial paper program, \$1.5 billion of additional borrowing capacity was available to the Company as of September 30, 2006.

Contingent Convertible Senior Notes

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 5.5% at September 30, 2006. 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 a conversion price per share of \$66.83 (the "Conversion Price") at September 30, 2006. This represents a conversion rate of approximately 14.9633 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 decreases when cash dividends are declared so that the Conversion Price equals 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 is 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 is the pre-dividend sale price. As a result of the 2006 quarterly cash dividends, the Conversion Price was adjusted from \$67.92 at December 31, 2005, to \$66.83 at September 30, 2006.

The notes are redeemable by the Company at any time on or after April 20, 2009, at 100% 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, or 2019 at 100% 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.

Derivative 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 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.

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. As of December 31, 2005, we were a party to five interest rate swaps, including four assumed in the Caesars acquisition, for a total notional amount of \$500 million. In February 2006, we paid approximately \$3.4 million to terminate \$300 million of the interest rate swaps, which represented the fair value of the swaps on the date of termination. Because these swaps no longer qualified for hedge accounting, a \$3.6 million charge was recorded to interest expense in first quarter 2006 to record the change in fair value of these instruments through their termination. We also continue to amortize the fair value adjustments to the hedged item related to these swaps as a credit to interest expense over the life of the debt.

As of September 30, 2006, we have one interest rate swap agreement for a notional amount of \$200 million. The difference to be paid or received under the terms of the interest rate swap agreement is 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 the interest rate swap agreement will have a corresponding effect on future cash flows. The major terms of the interest rate swap are as follows:

<u>Effective Date</u>	<u>Notional Amount</u> (In Millions)	<u>Fixed Rate Received</u>	<u>Variable Rate Paid as of Sept. 30, 2006</u>	<u>Next Reset Date</u>	<u>Maturity Date</u>
Jan. 30, 2004	\$200	7.125%	9.549%	Dec. 1, 2006	June 1, 2007

The net income statement impact of the interest rate swaps in the third quarter and the first nine months of 2006 was a charge of approximately \$1.3 million and \$6.2 million, respectively. The income statement impact for the nine months ended September 30, 2006, includes the charge taken in first quarter to terminate \$300 million of interest rate swaps discussed above.

The Company's remaining interest rate swap qualifies for the "shortcut" method allowed under SFAS No. 133, which allows for an assumption of no ineffectiveness. As such, there is no income statement impact from changes in the fair value of the hedging instrument.

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 September 30, 2006, \$105.6 million was outstanding under this program.

Shelf Registration

To provide for additional financing flexibility, Harrah's Entertainment, in connection with its wholly-owned subsidiary, Harrah's Operating Company, Inc. ("HOC"), filed a shelf registration statement with the Securities and Exchange Commission in April 2006 for a variety of securities, including Harrah's Entertainment's common stock or HOC debt securities. The issue price of Harrah's common stock or the terms and conditions of HOC debt securities, which may be guaranteed by Harrah's Entertainment, will be determined by market conditions at the time of issuance. The shelf registration statement is available until April 2009.

Pursuant to our shelf registration, in June 2006, we issued \$750 million 6.5% Senior Notes due 2016. Net proceeds of \$739.1 million were used to reduce outstanding indebtedness, to consummate the debt tender offers for our 7.5% and 8.0% Senior Notes due in 2009 and 2011, respectively, and for general working capital purposes.

Retirement of Debt

In June 2006, we completed tender offers for a portion of our 7.5% Senior Notes due in January 2009 and our 8.0% Senior Notes due in February 2011. \$363.7 million, face amount, of the 7.5% notes were retired, leaving \$136.3 million outstanding, and \$428.0 million, face amount, of the 8.0% notes were retired, leaving \$72.0 million outstanding. In connection with these retirements of debt, we recorded charges of \$62.0 million representing premiums paid and the write-off of unamortized deferred financing costs.

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.

Equity Repurchase Program

In February 2006, 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 2006. As of September 30, 2006, no shares have been repurchased under this authorization.

Cash Dividends

In July 2006, the Company declared a cash dividend of 40 cents per share, which was paid on August 23, 2006, to stockholders of record as of the close of business on August 9, 2006. This represented a 10.3% increase to the regular quarterly dividend. The Company has paid quarterly cash dividends since third quarter 2003. Subsequent to the end of third quarter 2006, we declared a quarterly cash dividend of 40 cents per share, payable on November 22, 2006, to stockholders of record as of the close of business on November 8, 2006.

Guarantees of Third-Party Debt and Other Obligations and Commitments

The tables below summarize 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 2005 Annual Report on Form 10-K, as amended by our Form 10-K/A filed on August 8, 2006, and our Current Report on Form 8-K, filed on August 8, 2006, to present Harrah's Lake Charles as discontinued operations in our consolidated financial statements and notes thereto for the year ended December 31, 2005.

<u>Contractual Obligations</u> (In millions)	<u>Increase/ (Decrease)</u>	<u>Total</u>
Debt, including capital lease obligations	\$104.7	\$ 10,963.2
Estimated interest payments(a)	294.4	3,846.8
Operating lease obligations	(61.9)	1,453.5
Purchase order obligations	30.2	93.1
Guaranteed payments to State of Louisiana	15.1	149.9
Minimum tax payments guaranteed to State of Illinois	115.8	115.8
Construction commitments	214.1	533.1
Community reinvestment	42.6	144.5
Entertainment obligations	(28.4)	98.8
Other contractual obligations	37.1	103.6

(a) Estimated interest for variable-rate debt is based on rates at September 30, 2006.

<u>Other Commitments</u> (In millions)	<u>Increase/ (Decrease)</u>	<u>Total</u>
Guarantees of loans	\$ (49.0)	\$ 216.6
Letters of credit	531.6	649.7

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 62 months from September 30, 2006, 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 into management contracts, to fund development or expansion of casino facilities 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 September 30, 2006, was \$192.1 million.

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 Company 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, 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.

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 2005 Annual Report on Form 10-K, as amended by our Form 10-K/A filed on August 8, 2006, and our Current Report on Form 8-K, filed on August 8, 2006, to present Harrah's Lake Charles as discontinued operations in our consolidated financial statements and notes thereto for the year ended December 31, 2005.

There were no newly identified significant accounting estimates in third quarter 2006, nor were there any material changes to the critical accounting policies and estimates discussed in our 2005 Annual Report.

RECENTLY ISSUED ACCOUNTING STANDARDS

In July 2006, the FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. FIN 48 is effective for fiscal years beginning after

December 15, 2006. We are currently evaluating the impact of this standard on our consolidated financial statements.

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. We have based these forward-looking statements on our current expectations about future events. Further, statements that include words such as "may," "will," "project," "might," "expect," "believe," "anticipate," "intend," "could," "would," "estimate," "continue" or "pursue," or the negative or other words or expressions of similar meaning may identify forward-looking statements. These forward-looking statements are found at various places throughout this report. These forward-looking statements, including without limitation, those relating to future actions, new projects, strategies, future performance, the outcome of contingencies such as legal proceedings and future financial results, wherever they occur in this report, are necessarily estimates reflecting the best judgment of our management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements should, therefore, be considered in light of various important factors set forth from time to time in our filings with the Securities and Exchange Commission.

Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include without limitation:

- 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, increased costs of labor and materials, availability of labor and materials, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters and building permit issues;
- the effects of environmental and structural building conditions relating to our properties;
- our ability to effectively integrate companies that we acquire into our operations, including Caesars and London Clubs;

- access to available and reasonable financing on a timely basis;
- the ability of purchasers of any of our assets subject to sale agreements to close the purchase 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;
- the ability of our customer-tracking, customer loyalty and yield-management programs to continue to increase customer loyalty and same-store or hotel sales;
- our ability to recoup costs of capital investments through higher revenues;
- acts of war or terrorist incidents or natural disasters;
- access to insurance on reasonable terms for our assets;
- abnormal gaming holds; and
- the effects of competition, including locations of competitors and operating and market competition.

You are cautioned to not place undue reliance on these forward-looking statements, which speak only as of the date of this quarterly report for Form 10-Q. We undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this quarterly report on Form 10-Q or to reflect the occurrence of unanticipated events, except as required by law.

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 \$11.1 billion total debt at September 30, 2006, \$3.8 billion, including \$200 million of fixed-rate debt for which we have entered into an interest rate swap agreement, is subject to variable interest rates. For our fixed-rate debt subject to the interest rate swap agreement, the interest rate received was 7.125% at September 30, 2006, compared to 9.549% average interest rate paid on the swap. The average interest rate on our variable-rate debt, excluding the impact of our swap agreements, was 5.8% at September 30, 2006. 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 \$36.3 million.

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. We have also utilized treasury rate locks to hedge the risk of future treasury rate increases for certain forecasted debt issuances, but we do not currently have any treasury rate lock agreements. 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 the first nine months of 2006. Although we are pursuing development opportunities in foreign countries, we currently have no material ownership interests in businesses in foreign countries. Accordingly, we are not currently subject to material foreign currency exchange rate risk from the effects that exchange rate movements of foreign currencies would have on our future operating results or cash flows.

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 September 30, 2006. 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.

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Certain of our legal proceedings are reported in our Annual Report on Form 10-K for the year ended December 31, 2005, with material developments since that report described below. While we are a party to ordinary and routine litigation incidental to our business, we do not expect the outcome of any pending litigation to have a material adverse effect on our consolidated financial position or results of operations.

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

Saint Regis Mohawk 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 appealed the District Court's decision to the United States Court of Appeals for the Second Circuit. The Court of Appeals referred the matter back to the District Court to resolve jurisdictional issues. 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 Saint Regis Mohawk Bingo Palace. Scutti alleges tortious interference with contract and 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. The United States Court of Appeals for the Second Circuit affirmed the District Court on the claim for tortious interference with prospective business relations, the only claim appealed. Scutti filed a motion for reconsideration, which was denied. This matter is now closed.

Item 1A. Risk Factors.

There have been no material changes with regard to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2005.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

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

There were no matters submitted to a vote of security holders during the quarter ended September 30, 2006.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Exhibit Description
3.1	Certificate of Incorporation of The Promus Companies Incorporated; Certificate of Amendment of Certificate of Incorporation of The Promus Companies Incorporated dated April 29, 1994; Certificate of Amendment of Certificate of Incorporation of The Promus Companies Incorporated dated May 26, 1995; and Certificate of Amendment of Certificate of Incorporation of The Promus Companies Incorporated dated June 30, 1995, changing its name to Harrah's Entertainment, Inc. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
3.2	Certificate of Amendment of Certificate of Incorporation of Harrah's Entertainment, Inc., dated as of June 9, 2005. (Incorporated by reference to the exhibit to the Registration Statement on Form S-3/A of Harrah's Entertainment, Inc., File No. 333-12566, filed July 1, 2005.)
3.3	Bylaws of Harrah's Entertainment, Inc., as amended July 19, 2006. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed July 21, 2006.)
4.1	Certificate of Elimination of Series B Special Stock of Harrah's Entertainment, Inc., dated February 21, 1997. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
4.2	Certificate of Designations of Series A Special Stock of Harrah's Entertainment, Inc., dated February 21, 1997. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
4.3	Certificate of Amendment of the Certificate of Designations of Series A Special Stock of Harrah's Entertainment, Inc., dated June 23, 2005. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed June 28, 2005.)
4.4	Indenture, dated as of December 18, 1998, among Harrah's Operating Company, Inc. as obligor, Harrah's Entertainment, Inc., as Guarantor, and IBJ Schroder Bank & Trust Company, as Trustee relating to the 7 ^{1/2} % Senior Notes Due 2009. (Incorporated by reference to the exhibit to the Registration Statement on Form S-3 of Harrah's Entertainment, Inc. and Harrah's Operating Company, Inc., File No. 333-69263, filed December 18, 1998.)
4.5	Indenture, dated as of November 9, 1999 between Park Place Entertainment Corp., as Issuer, and Norwest Bank Minnesota, N.A., as Trustee. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)
4.6	Officers' Certificate, dated as of November 9, 1999 with respect to the 8 ^{1/2} % Senior Notes due 2006. (Incorporated by reference to the exhibit to Park Place Entertainment Corporation's Current Report on Form 8-K, filed November 12, 1999.)

- 4.7 Officers' Certificate, dated as of September 12, 2000 with respect to the 8.875% Senior Subordinated Notes due 2008. (Incorporated by reference to the exhibit to Park Place Entertainment Corporation's Current Report on Form 8-K, filed September 19, 2000.)
- 4.8 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. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)

- 4.9 Second Supplemental Indenture, dated as of July 28, 2005, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Issuer, and Wells Fargo Bank, National Association, as Trustee, to the Indenture, dated as of November 9, 1999, as supplemented by certain Officers' Certificates dated as of November 9, 1999 and September 12, 2000, and as further amended and supplemented by a First Supplemental Indenture, dated as of June 13, 2005, with respect to the 8.5% Senior Notes due 2006 and the 8.875% Senior Subordinated Notes due 2008. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed August 2, 2005.)
- 4.10 Indenture, dated as of February 22, 2000, between Park Place Entertainment Corp., as Issuer, and Norwest Bank Minnesota, N.A., as Trustee, with respect to the 9^{3/8}% Senior Subordinated Notes due 2007. (Incorporated by reference to the exhibit to the Registration Statement on Form S-4 of Park Place Entertainment Corporation., File No. 333-32992, filed March 22, 2000.)
- 4.11 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 9^{3/8}% Senior Subordinated Notes due 2007. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)
- 4.12 Second Supplemental Indenture, dated as of July 28, 2005, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Issuer, and Wells Fargo Bank, National Association, as Trustee, to the Indenture, dated as of February 22, 2000, as amended and supplemented by a First Supplemental Indenture, dated as of June 13, 2005, with respect to the 9^{3/8}% Senior Subordinated Notes due 2007. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed August 2, 2005.)
- 4.13 Indenture, dated as of January 29, 2001, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and Bank One Trust Company, N.A., as Trustee, relating to the 8.0% Senior Notes Due 2011. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)
- 4.14 Indenture, dated as of May 14, 2001, between Park Place Entertainment Corp., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 8^{1/8}% Senior Subordinated Notes due 2011. (Incorporated by reference to the exhibit to the Registration Statement on Form S-4 of Park Place Entertainment Corporation, File No. 333-62508, filed June 7, 2001.)
- 4.15 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 8^{1/8}% Senior Subordinated Notes due 2011. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)

- 4.16 Second Supplemental Indenture, dated as of July 28, 2005, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Issuer, and Wells Fargo Bank, National Association, as Trustee, to the Indenture, dated as of May 14, 2001, as amended and supplemented by a First Supplemental Indenture, dated as of June 13, 2005, with respect to the 8^{1/8}% Senior Subordinated Notes due 2011. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed August 2, 2005.)
- 4.17 Indenture, dated as of June 14, 2001, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and Firststar Bank, N.A., as Trustee, relating to the 7^{1/8}% Senior Notes due 2007. (Incorporated by reference to the exhibit to the Registration Statement on Form S-4 of Harrah's Entertainment, Inc. and Harrah's Operating Company, Inc., File No. 333-68360, filed August 24, 2001.)

- 4.18 Indenture, dated as of August 22, 2001, between Park Place Entertainment Corp., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 7.50% Senior Notes due 2009. (Incorporated by reference to the exhibit to the Registration Statement on Form S-4 of Park Place Entertainment Corporation, File No. 333-69838, filed September 21, 2001.)
- 4.19 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. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)
- 4.20 Second Supplemental Indenture, dated as of July 28, 2005, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Issuer, and Wells Fargo Bank, National Association, as Trustee, to the Indenture, dated as of August 22, 2001, as amended and supplemented by a First Supplemental Indenture, dated as of June 13, 2005, with respect to the 7.50% Senior Notes due 2009. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed August 2, 2005.)
- 4.21 Indenture, dated as of March 14, 2002, between Park Place Entertainment Corp., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 7^{7/8}% Senior Subordinated Notes due 2010. (Incorporated by reference to the exhibit to the Registration Statement on Form S-4 of Park Place Entertainment Corporation, File No. 333-86142, filed April 12, 2002.)
- 4.22 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^{7/8}% Senior Subordinated Notes due 2010. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)
- 4.23 Second Supplemental Indenture, dated as of July 28, 2005, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Issuer, and Wells Fargo Bank, National Association, as Trustee, to the Indenture, dated as of March 14, 2002, as amended and supplemented by a First Supplemental Indenture, dated as of June 13, 2005, with respect to the 7^{7/8}% Senior Subordinated Notes due 2010. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed August 2, 2005.)

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- 4.24 Indenture, dated as of April 11, 2003, between Park Place Entertainment Corp., as Issuer, and U.S. Bank National Association, as Trustee, with respect to the 7% Senior Notes due 2013. (Incorporated by reference to the exhibit to the Registration Statement on Form S-4 of Park Place Entertainment Corporation, File No. 333-104829, filed April 29, 2003.)
- 4.25 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. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)
- 4.26 Second Supplemental Indenture, dated as of July 28, 2005, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Issuer, and U.S. Bank National Association, as Trustee, to the Indenture, dated as of April 11, 2003, as amended and supplemented by a First Supplemental Indenture, dated as of June 13, 2005, with respect to the 7% Senior Notes due 2013. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed August 2, 2005.)
- 4.27 Indenture, dated as of December 11, 2003, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.375% Senior Notes due 2013. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.)
- 4.28 Indenture, dated as of June 25, 2004, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.50% Senior Notes due 2010. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
- 4.29 Indenture, dated as of February 9, 2005, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the Senior Floating Rate Notes due 2008. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.)
- 4.30 Amended and Restated Indenture, dated as of July 28, 2005, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Issuer, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed August 2, 2005.)

- 4.31 First Supplemental Indenture, dated as of September 9, 2005, to Amended and Restated Indenture, dated as of July 28, 2005, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc. as Guarantor, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024. (Incorporated by reference to the exhibit to the Registration Statement on Form S-3/A of Harrah's Entertainment, Inc., File No. 333-127210, filed September 19, 2005.)
- 4.32 Registration Rights Agreement, dated as of April 7, 2004, between Caesars Entertainment, Inc. and Deutsche Bank Securities Inc. relating to the Floating Rate Contingent Convertible Senior Notes due 2024. (Incorporated by reference to the exhibit to the Registration Statement on Form S-3 of Caesars Entertainment, Inc., File No. 333-115641, filed May 19, 2004.)

- 4.33 Indenture, dated as of May 27, 2005, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.625% Senior Notes due 2015. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed June 3, 2005.)
- 4.34 First Supplemental Indenture, dated as of August 19, 2005, to Indenture, dated as of May 27, 2005, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.625% Senior Notes due 2015. (Incorporated by reference to the exhibit to the Registration Statement on Form S-4 of Harrah's Entertainment, Inc., File No. 333-127840, filed August 25, 2005.)
- 4.35 Second Supplemental Indenture, dated as of September 28, 2005, to Indenture, dated as of May 27, 2005, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.625% Senior Notes due 2015. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed October 3, 2005.)
- 4.36 Indenture dated as of September 28, 2005, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.75% Senior Notes due 2017. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed October 3, 2005.)
- 4.37 Indenture, dated as of June 9, 2006, between Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. National Bank Association, as Trustee. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed June 14, 2006.)
- 4.38 Officers' Certificate, dated as of June 9, 2006, pursuant to Sections 301 and 303 of the Indenture dated as of June 9, 2006 between Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. National Bank Association, as Trustee. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed June 14, 2006.)
- 4.39 Form of 6.50% Senior Note due 2016. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed June 14, 2006.)
- 10.1 Third Amended and Restated Credit Agreement, dated as of April 25, 2006 among Harrah's Entertainment, Inc. as Guarantor, Harrah's Operating Company, Inc. as Borrower, the Lenders named therein, Syndication Agent, Co-Documentation Agents and Administrative Agent. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed April 26, 2006.)
- *10.2 Amendment No. 1, dated June 16, 2006, to the Third Amended and Restated Credit Agreement, dated as of April 25, 2006 among Harrah's Entertainment, Inc. as Guarantor, Harrah's Operating Company, Inc. as Borrower, the Lenders named therein, Syndication Agent, Co-Documentation Agents and Administrative Agent.
- *10.3 Amendment No. 2, dated August 16, 2006, to the Third Amended and Restated Credit Agreement, dated as of April 25, 2006 among Harrah's Entertainment, Inc. as Guarantor, Harrah's Operating Company, Inc. as Borrower, the Lenders named therein, Syndication Agent, Co-Documentation Agents and Administrative Agent.

- 10.4 Amendment No. 3, dated September 29, 2006, to the Third Amended and Restated Credit Agreement, dated as of April 25, 2006 among Harrah's Entertainment, Inc. as Guarantor, Harrah's Operating Company, Inc. as Borrower, the Lenders named therein, Syndication Agent, Co-Documentation Agents and Administrative Agent. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed October 2, 2006.)

- 10.5 Purchase Agreement, dated December 8, 2003, among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and Citigroup Global Markets Inc., as Initial Purchaser relating to the 5.375% Senior Notes due 2013. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2003.)
- 10.6 Purchase Agreement, dated June 22, 2004, among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and J.P. Morgan Securities Inc., as representative of the Initial Purchasers, relating to the 5.50% Senior Notes due 2010. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
- 10.7 Purchase Agreement, dated February 4, 2005, among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and Goldman Sachs & Co., as Initial Purchaser, relating to Senior Floating Rate Notes due 2008. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.)
- 10.8 Purchase Agreement, dated May 19, 2005, among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and Citigroup Global Markets Inc. and Greenwich Capital Markets, Inc., as representatives of the Initial Purchasers, relating to the 5.625% Senior Notes due 2015. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)
- 10.9 Purchase Agreement, dated September 21, 2005, among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and Citigroup Global Markets Inc. and Greenwich Capital Markets, Inc., as Representatives of the Initial Purchasers, relating to the 5.625% Senior Notes due 2015. (Incorporated by reference to the exhibit to the Registration Statement on Form S-4/A of Harrah's Entertainment, Inc., File No. 333-127840, filed October 18, 2005.)
- 10.10 Additional Purchase Agreement, dated September 21, 2005, among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and Barclays Capital Inc. and Citigroup Global Markets Inc., as Representatives of the Initial Purchasers, relating to the 5.75% Senior Notes due 2017. (Incorporated by reference to the exhibit to the Registration Statement on Form S-4/A of Harrah's Entertainment, Inc., File No. 333-127840, filed October 18, 2005.)
- 10.11 Issuing and Paying Agent Agreement, dated as of May 19, 2000, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and Bank One, National Association, as issuing and paying agent; Corporate Commercial Paper Master Note in favor of Cede & Co., as nominee of The Depository Trust Company, by Harrah's Operating Company, Inc., as Issuer, and Bank One, N.A., as Paying Agent. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.)

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- 10.12 Commercial Paper Dealer Agreement, dated as of May 3, 2000, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and Banc of America Securities LLC, as Dealer. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.)
- 10.13 Commercial Paper Dealer Agreement, dated as of May 3, 2000, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and Credit Suisse First Boston Corporation, as Dealer. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.)
- 10.14 Form of Interest Rate Swap Agreements with BNP Paribas, JPMorgan Chase Bank, and The Royal Bank of Scotland PLC. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, filed May 7, 2004.)
- †10.15 Employment Agreement dated as of September 4, 2002, between Harrah's Entertainment, Inc. and Gary W. Loveman. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.)
- †10.16 Amendment dated as of October 31, 2005, to Employment Agreement dated as of September 4, 2002, between Harrah's Entertainment, Inc. and Gary W. Loveman. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.)
- †10.17 Severance Agreement dated June 1, 2003 entered into with Gary W. Loveman (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.)
- †10.18 Form of Employment Agreement between Harrah's Operating Company, Inc. and Charles L. Atwood, Stephen H. Brammell, Jonathan S. Halkyard, Janis L. Jones, Virginia E. Shanks, Mary H. Thomas and Timothy J. Wilmott. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.)
- †10.19 Form of Severance Agreement entered into with Charles L. Atwood, Stephen H. Brammell, Jonathan S. Halkyard, Janis L. Jones, Virginia E. Shanks, Mary H. Thomas, and Timothy J. Wilmott. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.)

- 10.20 Form of Indemnification Agreement entered into by The Promus Companies Incorporated and each of its directors and executive officers. (Incorporated by reference to the exhibit to the Registration Statement of Harrah's Entertainment, Inc. on Form 10, File No. 1-10410, filed on December 13, 1989.)
- 10.21 Form of Supplemental Indemnification Agreement entered into by Harrah's Entertainment, Inc. and each of its directors and executive officers. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed July 21, 2006.)
- †10.22 Financial Counseling Plan of Harrah's Entertainment, Inc. as amended June 1996. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
- †10.23 The Promus Companies Incorporated 1996 Non-Management Director's Stock Incentive Plan dated April 5, 1995. (Incorporated by reference to the exhibit to the Company's Proxy Statement for the 1995 Annual Meeting of Stockholders, filed April 25, 1995.)

- †10.24 Amendment dated February 20, 1997 to 1996 Non-Management Director's Stock Incentive Plan. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.)
- †10.25 Amendment dated as of November 15, 2000 to the 1996 Non-Management Directors Stock Incentive Plan. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)
- 10.26 Summary Plan Description of Executive Term Life Insurance Plan. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
- †10.27 Executive Supplemental Savings Plan dated February 21, 2001. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.)
- †10.28 First Amendment, dated May 2, 2001, to the Executive Supplemental Savings Plan. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.)
- †10.29 2001 Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan, amended and restated effective April 1, 2001. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.)
- †10.30 Second Amendment, effective January 1, 2002, to the 2001 Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.)
- †10.31 Third Amendment dated January 1, 2003 to the 2001 Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.)
- †10.32 Fourth Amendment dated August 19, 2004 to the 2001 Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.)
- †10.33 Fifth Amendment dated December 16, 2004 to the 2001 Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed December 17, 2004.)
- *†10.34 Sixth Amendment, effective as of January 1, 2005, to the 2001 Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan.
- †10.35 Executive Supplemental Savings Plan II effective as of January 1, 2005. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed December 17, 2004.)
- †10.36 First Amendment, effective as of January 25, 2005, to the Executive Supplemental Savings Plan II. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004.)
- †10.37 Second Amendment, effective as of February 11, 2005, to the Executive Supplemental Savings Plan II. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004.)

- *†10.38 Amendment and Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II, effective January 1, 2005.

- †10.39 Park Place Entertainment Corporation 1998 Stock Incentive Plan. (Incorporated by reference to the exhibit filed with the Registration Statement of Park Place Entertainment Corporation on Form S-8, filed on December 22, 1998); and the 1998 Stock Incentive Plan, as amended May 11, 2001. (Incorporated by reference to the exhibit to the Registration Statement of Park Place Entertainment Corporation on Form S-8, filed on July 31, 2001.)
- *†10.40 Amendment dated June 13, 2005 to the Park Place Entertainment Corporation 1998 Stock Incentive Plan.
- †10.41 Park Place Entertainment Corporation 1998 Independent Director Stock Option Plan. (Incorporated by reference to the exhibit to Amendment No. 1 to the Registration Statement of Park Place Entertainment Corporation on Form S-8, filed June 15, 2000.)
- *†10.42 Amendment dated June 13, 2005 to the Park Place Entertainment Corporation 1998 Independent Director Stock Option Plan.
- †10.43 The Restated Park Place Entertainment Corporation Executive Deferred Compensation Plan, as restated and amended effective January 1, 2002. (Incorporated by reference to the exhibit to Park Place Entertainment Corporation's Annual Report on Form 10-K, filed on March 28, 2003.)
- *†10.44 Amendment, dated June 13, 2005, to the Restated Park Place Entertainment Corporation Executive Deferred Compensation Plan, effective June 13, 2005.
- *†10.45 First Amendment to the Restated Park Place Entertainment Corporation Executive Deferred Compensation Plan, effective June 13, 2005.
- *†10.46 Second Amendment to the Restated Park Place Entertainment Corporation Executive Deferred Compensation Plan, effective August 1, 2005.
- *†10.47 Third Amendment to the Restated Park Place Entertainment Corporation Executive Deferred Compensation Plan, effective August 1, 2006.
- *†10.48 Fourth Amendment to the Restated Park Place Entertainment Corporation Executive Deferred Compensation Plan, effective July 1, 2006.
- †10.49 Caesars Entertainment, Inc. 2004 Long Term Incentive Plan. (Incorporated by reference to the exhibit to the Registration Statement of Caesars Entertainment, Inc. on Form S-8, filed on February 9, 2005.)
- *†10.50 Amendment dated June 13, 2005 to the Caesars Entertainment, Inc. 2004 Long Term Incentive Plan.
- †10.51 The Promus Companies Incorporated 1990 Stock Option Plan, as amended July 29, 1994. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994.)
- †10.52 Amendment, dated April 5, 1995, to The Promus Companies Incorporated 1990 Stock Option Plan as adjusted on December 12, 1996. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
- †10.53 Amendment, dated February 26, 1998, to the Harrah's Entertainment, Inc. 1990 Stock Option Plan. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.)

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- †10.54 Amendment, dated April 30, 1998, to the Harrah's Entertainment, Inc. 1990 Stock Option Plan. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.)
 - †10.55 Amendment, dated October 29, 1998, to the Harrah's Entertainment, Inc. 1990 Stock Option Plan. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.)
 - †10.56 Amendment, dated as of May 6, 1999, to Harrah's Entertainment, Inc. 1990 Stock Option Plan. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999.)
 - †10.57 Amendment, dated as of February 23, 2000, to Harrah's Entertainment, Inc. 1990 Stock Option Plan. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.)
 - †10.58 The Promus Companies Incorporated 1990 Restricted Stock Plan. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1989.)
 - †10.59 Amendment, dated April 5, 1995, to The Promus Companies Incorporated 1990 Restricted Stock Plan. (Incorporated by reference to the exhibit to the Company's Proxy Statement for the 1995 Annual Meeting of Stockholders, filed April 25, 1995.)
 - †10.60 Amendment, dated February 26, 1998, to the Harrah's Entertainment, Inc. 1990 Restricted Stock Plan. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.)
 - †10.61 Amendment, dated April 30, 1998, to the Harrah's Entertainment, Inc. 1990 Restricted Stock Plan. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.)

- †10.62 Amendment, dated October 29, 1998, to the Harrah's Entertainment, Inc. 1990 Restricted Stock Plan. (Incorporated by reference to the exhibit filed with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.)
- †10.63 Deferred Compensation Plan dated October 16, 1991. (Incorporated by reference from Amendment No. 2 to the Registration Statement of Harrah's Entertainment, Inc. and Embassy on Form S-1, File No. 33-43748, filed March 18, 1992.)
- †10.64 Amendment, dated May 26, 1995, to The Promus Companies Incorporated Deferred Compensation Plan. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed June 15, 1995.)
- †10.65 Amendment dated April 24, 1997, to Harrah's Entertainment, Inc.'s Deferred Compensation Plan. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997.)
- †10.66 Amendment dated as of November 15, 2000 to the Harrah's Entertainment, Inc. Deferred Compensation Plan. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)
- †10.67 Amendment dated as of February 26, 2003 to the Harrah's Entertainment, Inc. Deferred Compensation Plan. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.)

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- †10.68 Amended and Restated Executive Deferred Compensation Plan dated as of October 27, 1995. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
 - †10.69 Amendment dated April 24, 1997 to Harrah's Entertainment, Inc.'s Executive Deferred Compensation Plan. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997.)
 - †10.70 Amendment dated April 30, 1998 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.)
 - †10.71 Amendment dated October 29, 1998 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.)
 - †10.72 Restated Amendment, dated July 18, 1996, to Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
 - †10.73 Amendment dated as of November 15, 2000 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)
 - †10.74 Amendment dated as of February 21, 2001 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.)
 - †10.75 Amendment dated as of January 1, 2003 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.)
 - *†10.76 Amendment to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan, effective January 1, 2005.
 - 10.77 Letter Agreement with Wells Fargo Bank Minnesota, N.A., dated August 31, 2000, concerning appointment as Escrow Agent under Escrow Agreement for deferred compensation plans. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.)
 - 10.78 Amendment to Escrow Agreement, dated April 26, 2000, between Harrah's Entertainment, Inc. and Wells Fargo Bank Minnesota, N.A., Successor to Bank of America, N.A. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.)
 - 10.79 Trust Agreement dated June 20, 2001 by and between Harrah's Entertainment, Inc. and Wells Fargo Bank Minnesota, N.A. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.)
 - †10.80 Time Accelerated Restricted Stock Award Plan ("TARSAP") program dated December 12, 1996. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
 - †10.81 TARSAP Deferral Plan dated July 28, 1999. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.)

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- †10.82 Time Accelerated Restricted Stock Award Plan II (TARSAP II) dated April 26, 2000. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.)
- †10.83 Harrah's Entertainment, Inc. 2000 Senior Executive Incentive Plan. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.)
- †10.84 Harrah's Entertainment, Inc. 2005 Senior Executive Incentive Plan. (Incorporated by reference from Annex C to the Company's Proxy Statement, filed March 4, 2004.)
- †10.85 Harrah's Entertainment, Inc. 2001 Executive Stock Incentive Plan. (Incorporated by reference to the exhibit to the Registration Statement on Form S-8 of Harrah's Entertainment, Inc., File No. 333-63854, filed June 26, 2001.)
- †10.86 Amendment dated as of January 1, 2003 to the Harrah's Entertainment, Inc. 2001 Executive Stock Incentive Plan. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.)
- †10.87 Harrah's Entertainment, Inc. 2001 Broad-Based Stock Incentive Plan. (Incorporated by reference to the exhibit to the Registration Statement on Form S-8 of Harrah's Entertainment, Inc., File No. 333-63856 filed June 26, 2001.)
- †10.88 The 2001 Restatement of the Harrah's Entertainment, Inc. Savings And Retirement Plan, effective January 1, 2002. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.)
- †10.89 Horseshoe Gaming Holding Corp. 401(k) Plan, dated April 1, 2000; First Amendment to the Horseshoe Gaming Holding Corp. 401(k) Plan, dated January 2, 2001; Second Amendment to the Horseshoe Gaming Holding Corp. 401(k) Plan, dated August 9, 2002; Third Amendment to the Horseshoe Gaming Holding Corp. 401(k) Plan, dated December 19, 2001; and Fourth Amendment to the Horseshoe Gaming Holding Corp. 401(k) Plan, dated December 31, 2004. (Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8, filed January 14, 2005.)
- †10.90 Caesars Entertainment 401(k) Savings Plan, dated March 22, 2001; First Amendment to the Caesars Entertainment 401(k) Savings Plan, dated November 21, 2001; Second Amendment to the Caesars Entertainment 401(k) Savings Plan, dated December 31, 2002; Third Amendment to the Caesars Entertainment 401(k) Savings Plan, dated December 30, 2003; Fourth Amendment to the Caesars Entertainment 401(k) Savings Plan, dated December 30, 2004; Fifth Amendment to the Caesars Entertainment 401(k) Savings Plan, dated June 10, 2005; Sixth Amendment to the Caesars Entertainment 401(k) Savings Plan, dated December 13, 2005; and Seventh Amendment to the Caesars Entertainment 401(k) Savings Plan, dated December 15, 2005. (Incorporated by reference to the exhibits to the Company's Registration on Form S-8, filed December 19, 2005.)
- *†10.91 Eighth Amendment to the Caesars Entertainment 401(k) Savings Plan, adopted December 23, 2005.
- *†10.92 Ninth Amendment to the Caesars Entertainment 401(k) Savings Plan, adopted May 5, 2006.
- *†10.93 Tenth Amendment to the Caesars Entertainment 401(k) Savings Plan, adopted September 21, 2006.

- †10.94 Restated Grand Casinos 401(k) Savings Plan, dated February 28, 2001; First Amendment to the Restated Grand Casinos 401(k) Savings Plan, dated November 21, 2001; Second Amendment to the Restated Grand Casinos 401(k) Savings Plan, dated December 31, 2002; Third Amendment to the Restated Grand Casinos 401(k) Savings Plan, dated December 30, 2003; Fourth Amendment to the Restated Grand Casinos 401(k) Savings Plan, dated December 31, 2004; Fifth Amendment to the Restated Grand Casinos 401(k) Savings Plan, dated June 10, 2005; Sixth Amendment to the Restated Grand Casinos 401(k) Savings Plan, dated December 13, 2005; Seventh Amendment to the Restated Grand Casinos 401(k) Savings Plan, dated September 13, 2005; and Eighth Amendment to the Restated Grand Casinos 401(k) Savings Plan, dated December 15, 2005. (Incorporated by reference to the exhibits to the Company's Registration on Form S-8, filed December 19, 2005.)
- †10.95 Harrah's Entertainment, Inc. Amended and Restated 2004 Equity Incentive Award Plan. (Incorporated by reference from the Company's Proxy Statement filed March 14, 2006, Annex B.)
- †10.96 Form of Stock Option Agreement. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.)
- †10.97 Form of Restricted Stock Agreement. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.)
- †10.98 Form of Stock Appreciation Right Award Agreement. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed July 21, 2006.)
- 14 Harrah's Entertainment, Inc. Code of Business Conduct and Ethics for Principal Officers, adopted February 26, 2003. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 10, 2003.)

- *31.1 Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 8, 2006.
- *31.2 Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 8, 2006.
- *32.1 Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated November 8, 2006.
- *32.2 Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated November 8, 2006.

† Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form pursuant to Item 6 of Form 10-Q.

* 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.

November 8, 2006

By: /s/ ANTHONY D. McDUFFIE

Anthony D. McDuffie
*Senior Vice President, Controller and
Chief Accounting Officer*

AMENDMENT NO. 1 TO
THIRD AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDMENT NO. 1 TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") dated as of June 16, 2006 is executed with reference to the Third Amended and Restated Credit Agreement (as amended from time to time, the "Credit Agreement") dated as of April 25, 2006, among Harrah's Operating Company, Inc., a Delaware corporation ("Company"), each of the Restricted Subsidiaries that becomes a borrower pursuant to Section 2.9 of the Credit Agreement (the Company and each such borrower are individually a "Borrower" and collectively the "Borrowers"), Harrah's Entertainment, Inc., a Delaware corporation (the "Parent"), each lender from time to time a party thereto (collectively, the "Lenders" and individually, a "Lender"), and Bank of America, N.A., as Administrative Agent. Capitalized terms used but not defined herein are used with the meanings set forth for those terms in the Credit Agreement.

The Borrower, Parent and the Administrative Agent, acting with the written consent of the Requisite Lenders pursuant to Section 11.2 of the Credit Agreement, hereby agree to amend the Credit Agreement as follows:

1. Section 4.6 - No Other Liabilities; No Material Adverse Effect. Section 4.6 of the Credit Agreement is hereby amended to delete the following sentence therefrom:

"As of each date following the Effective Date, no circumstance or event has occurred that constitutes a Material Adverse Effect since the Effective Date."

2. Conditions Precedent. The effectiveness of this Amendment is conditioned upon receipt by the Administrative Agent of consents hereto by the Requisite Lenders, substantially in the form of Exhibit A hereto.

3. Confirmation. Borrower acknowledges that the terms and provisions of the Credit Agreement and each of the other Loan Documents remain in full force and effect.

4. Counterparts. This Amendment may be executed in counterparts in accordance with Section 11.7 of the Credit Agreement.

[Remainder of this page intentionally left blank – signatures follow]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above by their duly authorized representatives.

HARRAH'S ENTERTAINMENT, INC.

By:

Jonathan S. Halkyard, Senior Vice
President and Treasurer

HARRAH'S OPERATING COMPANY, INC.

By:

Jonathan S. Halkyard, Senior Vice
President and Treasurer

BANK OF AMERICA, N.A., as Administrative
Agent

By:

Name: _____

Title: _____

EXHIBIT A

CONSENT OF LENDER

This Consent of Lender is delivered with reference to the Third Amended and Restated Credit Agreement (as amended from time to time, the "Credit Agreement") dated as of April 25, 2006, among Harrah's Operating Company, Inc., a Delaware corporation ("Company"), each of the Restricted Subsidiaries that becomes a borrower pursuant to Section 2.9 of the Credit Agreement (the Company and each such borrower are individually a "Borrower"

and collectively the "Borrowers"), Harrah's Entertainment, Inc., a Delaware corporation (the "Parent"), each lender from time to time a party thereto (collectively, the "Lenders" and individually, a "Lender"), and Bank of America, N.A., as Administrative Agent. Capitalized terms used but not defined herein are used with the meanings set forth for those terms in the Credit Agreement.

The undersigned Lender hereby consents to the execution, delivery and performance of the proposed Amendment No. 1 to Third Amended and Restated Credit Agreement, substantially in the form of the draft heretofore delivered to the undersigned.

Dated as of June 16, 2006.

Name of Lender

By: _____
Name: _____
Title: _____

AMENDMENT NO. 2 TO
THIRD AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDMENT NO. 2 TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") dated as of August 16, 2006 is executed with reference to the Third Amended and Restated Credit Agreement (as amended from time to time, the "Credit Agreement") dated as of April 25, 2006, among Harrah's Operating Company, Inc., a Delaware corporation ("Company"), Harrah's Entertainment, Inc., a Delaware corporation (the "Parent"), each lender from time to time a party thereto (collectively, the "Lenders" and individually, a "Lender"), and Bank of America, N.A., as Administrative Agent. Capitalized terms used but not defined herein are used with the meanings set forth for those terms in the Credit Agreement.

RECITALS

A. The Company and Parent have requested that the Lenders consent to the increase of the Letter of Credit Sublimit from \$300,000,000 to \$850,000,000.

B. The Company, Parent and the Administrative Agent, acting with the written consent of the Requisite Lenders pursuant to Section 11.2 of the Credit Agreement, have agreed to amend the Credit Agreement to increase the Letter of Credit Sublimit, and as otherwise set forth herein.

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Increase to Letter of Credit Sublimit. The definition of "Letter of Credit Sublimit" set forth in Section 1.1 of the Credit Agreement is hereby amended to read in full as follows:

"Letter of Credit Sublimit" means an amount equal to \$850,000,000. The Letter of Credit Sublimit is part of, and not in addition to, the Aggregate Commitments."

2. Confirmation by Issuing Lenders. By executing its Consent to this Amendment, Bank of America, as an Issuing Lender, hereby confirms that it will act as an Issuing Lender in respect of the entire amount of the Letter of Credit Sublimit (as so increased).

3. Conditions Precedent. The effectiveness of this Amendment is conditioned upon receipt by the Administrative Agent of consents hereto by the Requisite Lenders, substantially in the form of Exhibit A hereto.

4. Confirmation. Borrower acknowledges that the terms and provisions of the Credit Agreement and each of the other Loan Documents remain in full force and effect.

5. Counterparts. This Amendment may be executed in counterparts in accordance with Section 11.7 of the Credit Agreement.

1

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above by their duly authorized representatives.

HARRAH'S ENTERTAINMENT, INC.

By: _____
Jonathan S. Halkyard, Senior Vice
President and Treasurer

HARRAH'S OPERATING COMPANY, INC.

By: _____
Jonathan S. Halkyard, Senior Vice
President and Treasurer

BANK OF AMERICA, N.A., as Administrative
Agent

By: _____
Name: _____
Title: _____

2

EXHIBIT A

CONSENT OF LENDER

This Consent of Lender is delivered with reference to the Third Amended and Restated Credit Agreement (as amended from time to time, the "Credit Agreement") dated as of April 25, 2006, among Harrah's Operating Company, Inc., a Delaware corporation ("Company"), Harrah's Entertainment, Inc., a Delaware corporation (the "Parent"), each lender from time to time a party thereto (collectively, the "Lenders" and individually, a "Lender"), and Bank of America, N.A., as Administrative Agent. Capitalized terms used but not defined herein are used with the meanings set forth for those terms in the Credit Agreement.

The undersigned Lender hereby consents to the execution, delivery and performance of the proposed Amendment No. 2 to Third Amended and Restated Credit Agreement, substantially in the form of the draft heretofore delivered to the undersigned, and to the related increase to the Letter of Credit Sublimit from \$300,000,000 to \$850,000,000.

August , 2006.

Name of Lender

By: _____
Name: _____
Title: _____

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

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

WHEREAS, the Company maintains the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II (the "Harrah's ESSP II");

WHEREAS, the Company further wishes to amend the Plan to provide that the unvested portion of a Participant's Matching Contribution Account (as defined in the Plan) as of December 31, 2004, will be transferred from such Participant's Matching Contribution Account under the Plan to an account under the Harrah's ESSP II, effective as of January 1, 2005, and will be subject to the terms and conditions of the Harrah's ESSP II.

WHEREAS, the Company now wishes to amend the Plan to provide that Bonus earned by a Participant (as defined in the Plan) during the 2004 Deferral Period (as defined in the Plan), and otherwise payable after December 31, 2004, and deferred by such Participant under the Plan, and credited to such Participant's Deferral Contribution Account under the Plan, will be transferred from the Plan to the Harrah's ESSP II, effective as of January 1, 2006, and will be subject to the terms and conditions of the Harrah's ESSP II;

WHEREAS, the amounts to be transferred from a Participant's accounts under the Plan comprise the deferred compensation amounts that are subject to Section 409A of the Code, and the Harrah's ESSP II is intended to satisfy the requirements of Sections 409A(a)(2), (3) and (4) of the Code with respect to the deferred compensation amounts transferred from the Plan and credited to accounts under the Harrah's ESSP II; and

WHEREAS, Section 12.1(a) of the Plan provides that the EDCP Committee has the right to amend the Plan provided such amendment does not have a material adverse financial affect on the Company or the Plan.

NOW, THEREFORE, BE IT RESOLVED, the Plan is hereby amended, effective as of January 1, 2005 (except as otherwise provided below), as follows:

1. Article Two of the Plan is hereby amended to add new Section 2.27A as follows:

2.27A "Harrah's ESSP II" shall mean the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II, as amended.

2. Effective as of January 1, 2006, Section 4.7(b) of the Plan is hereby amended to add new paragraph (4) at the end thereof:

(4) If a Participant becomes entitled to an Enhancement Contribution (as defined in the Plan) under this Section 4.7(b) on or after the Second Transfer Date, such Enhancement Contribution shall be credited to such Participant's "Deferral Contribution Account" under the Harrah's ESSP II (and shall not be credited to such Participant's Deferral Account under the Plan or the subaccounts thereunder).

3. Article IV of the Plan is hereby amended to add new Section 4.8 at the end thereof:

4.8 Transfers to Harrah's ESSP II.

(a) **(1)** First Amounts to be Transferred. Effective as of January 1, 2005 (the "First Transfer Date"), in the case of a Participant, the amount credited to such Participant's Matching Contribution Account that is described in subsection (b) shall be transferred from such Matching Contribution Account to such Participant's "Transferred Harrah's ESSP Matching Account" (as defined in the Harrah's ESSP II), as provided in subsection (b).

(2) Second Amounts to be Transferred. Effective as of January 1, 2006 (the "Second Transfer Date"), in the case of a Participant, the amount credited to such Participant's Deferral Contribution Account that is described in this subsection (c) shall be transferred from such Deferral Contribution Account to such Participant's "Transferred Harrah's ESSP Deferral Contribution Account" (as defined in the Harrah's ESSP II), as provided in subsection (c).

(3) Transferred Amounts. The amounts described in this Section 4.8 include amounts credited to such Participant's Accounts under the Plan as of December 31, 2004 that were not earned and vested as of December 31, 2004, as adjusted for any earnings credited thereto or any losses debited therefrom under the Plan, and amounts credited under the Plan after December 31, 2004, as adjusted for any earnings credited thereto or any losses debited therefrom under the Plan. The amounts transferred pursuant to this Section 4.8 shall be debited from such Participant's Accounts under the Plan, and shall be credited to such Participant's "Transferred Harrah's ESSP Accounts" (as defined in the Harrah's ESSP II), effective as of the First Transfer Date or the Second Transfer Date, as applicable.

(4) Grandfathered Amounts. The amounts credited to such Participant's Accounts as of December 31, 2004 that were earned and vested as of December 31, 2004, as adjusted for any earnings credited thereto or any losses therefrom under the Plan, are not subject to Section 409A of the Code, and such amounts shall not be transferred from such Participant's Accounts under the Plan.

(b) Harrah's ESSP Matching Contributions. In the event that all or any portion of a Participant's Matching Contribution Account (as defined in the Plan) was not fully vested as of December 31, 2004 under the Plan, the portion of the total balance in such Participant's Matching Contribution Account that was not

vested as of December 31, 2004 under the Plan, as adjusted for any earnings credited thereto or any losses debited therefrom under the Plan, shall be transferred from such Participant's Matching Contribution Account to such Participant's "Transferred Harrah's ESSP Matching Contribution Account" (as defined in the Harrah's ESSP II), effective as of the First Transfer Date. The portion of the balance in such Participant's Matching Contribution Account that was vested as of December 31, 2004, as adjusted for any earnings credited thereto or any losses debited therefrom under the Plan, shall not be transferred and shall remain credited to such Participant's Matching Contribution Account. Effective as of the First Transfer Date, the portion of the balance in such Participant's Matching Contribution Account that was vested as of December 31, 2004, as adjusted for any earnings credited thereto or any losses debited therefrom under the Plan, which is not transferred and remains credited to such Participant's Matching Contribution Account, shall be fully vested.

(c) **Harrah's ESSP Bonus Deferral Contributions.** The Participant's Bonus (as defined in the Plan) earned by such Participant during the 2004 Deferral Period (as defined in the Plan), and otherwise payable after December 31, 2004, and deferred by such Participant in accordance with Section 4.1(b) of the Plan, as adjusted for any earnings credited thereto or any losses debited therefrom under the Plan, shall be transferred from such Participant's Deferral Contribution Account to such Participant's "Transferred Harrah's ESSP Deferral Contribution Account" (as defined in the Harrah's ESSP II), effective as of the Second Transfer Date.

4. Effective as of July 1, 2006, Section 6.4 of the Plan is hereby amended in its entirety to read as follows:

6.4 Investment Direction. A Participant will direct the hypothetical investment of his Deferral Contribution Account, Matching Contribution Account, and Discretionary Contribution Account among the Investment Funds in the manner (including, but not limited to, writing, electronic, internet, intranet, voice response or telephonic) established by the EDCP Committee. The Participant's Deferral Contribution Account, Matching Contribution Account and Discretionary Contribution Account shall not be invested in the Investment Funds, but the value of the Participant's Accounts shall be measured by the performance of the Investment Funds selected. Any and all changes to a Participant's Investment Fund allocation shall be made in accordance with the uniform procedures of the EDCP Committee, which shall permit changes in Investment Fund allocations on a quarterly or more frequent basis. Notwithstanding the foregoing provisions of this Section 6.4, the EDCP Investment Committee may retain the overriding discretion regarding the Participant's selection of Investment Funds under this Section 6.4. If a Participant fails to direct the hypothetical investment of his Accounts in the manner established by the EDCP Committee, the Participant will be deemed to have selected the default hypothetical Investment Fund(s) selected by the EDCP

Investment Committee for such purpose, in the discretion of the EDCP Committee and in accordance with its uniform policies and procedures.

5. Except as herein amended, the Plan shall continue in full force and effect in accordance with the terms and conditions thereof.

IN WITNESS WHEREOF, the EDCP Committee has adopted this Sixth Amendment to be executed by its duly authorized member on this day of _____, 2006.

HARRAH'S ENTERTAINMENT, INC.

By: _____
Name: _____
Title: _____

**AMENDMENT AND RESTATEMENT OF
THE HARRAH'S ENTERTAINMENT, INC.
EXECUTIVE SUPPLEMENTAL SAVINGS PLAN II**

**AMENDMENT AND RESTATEMENT OF
THE HARRAH'S ENTERTAINMENT, INC.
EXECUTIVE SUPPLEMENTAL SAVINGS PLAN II**

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**AMENDMENT AND RESTATEMENT OF
THE HARRAH'S ENTERTAINMENT, INC.
EXECUTIVE SUPPLEMENTAL SAVINGS PLAN II**

ARTICLE ONE
PREAMBLE

HARRAH'S ENTERTAINMENT, INC., a Delaware corporation (the "Company"), previously adopted this Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II (the "Plan"), effective as of January 1, 2005, in order to provide key executives and senior management employees with an opportunity and incentive to save for retirement and other purposes.

The purpose of this Plan is to provide a select group of management or highly compensated employees of the Company and certain of its affiliates with the opportunity to defer a portion of their compensation and to receive contributions from their employers. As a result, the Plan is intended to be a "top hat plan," exempt from certain requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), pursuant to Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. This Plan is not intended to qualify for favorable tax treatment pursuant to Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor section or statute. This Plan is intended to comply with the requirements of Section 409A(a)(2), (3) and (4) of the Code.

The Plan was subsequently amended by the First and Second Amendments to the Plan. The Company has adopted this Amendment and Restatement of the Plan, effective as of January 1, 2005 (except as otherwise provided in Exhibit A attached hereto). This Amendment and Restatement of the Plan incorporates the Plan and the First and Second Amendments to the Plan and constitutes a complete amendment, restatement and continuation of the Plan.

ARTICLE TWO
DEFINITIONS

When a word or phrase appears in this Plan with the initial letter capitalized, and the word or phrase does not begin a sentence, the word or phrase shall generally be a term defined in this Article Two or in the Preamble. The following words and phrases used in the Plan with the initial letter capitalized shall have the meanings set forth in this Article Two, unless a clearly different meaning is required by the context in which the word or phrase is used:

2.1 "**Account**" or "**Accounts**" means the accounts which may be maintained by the EDCP Committee to reflect the interest of a Participant or the Beneficiary of a deceased Participant under the Plan.

2.2 **“Affiliate”** means: (a) a corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as is the Company, (b) any other trade or business (whether or not incorporated) controlling, controlled by, or under common control (within the meaning of Section 414(c) of the Code) with the Company, and (c) any other corporation, partnership, or other organization which is a member of an affiliated

service group (within the meaning of Section 414(m) of the Code) with the Company or which is otherwise required to be aggregated with the Company pursuant to Section 414(o) of the Code.

2.3 **“Beneficiary”** means the person or trust that a Participant, in his or her most recent written designation filed with the EDCP Committee, shall have designated to receive his or her benefit under the Plan in the event of his or her death or, if applicable, the person or entity determined in accordance with Section 8.5 (Beneficiary Designations).

2.4 **“Board”** means the Board of Directors of the Company.

2.5 **“Bonus”** means the incentive payment or payments earned by a Participant during a Deferral Period pursuant to the Company’s Annual Management Bonus Plan, the Company’s Senior Executive Incentive Plan, the Company’s Player Development Bonus Program and/or the Horseshoe Gaming Holding Corp. 2004 Annual Bonus Incentive Plan, as such plans may be amended from time to time, and those short-term cash incentive plans that are approved by the EDCP Committee or its delegate, the Senior Vice President of Human Resources of the Company.

2.5A **“Caesars Company Contribution Account”** means the Account maintained to record the amounts that otherwise would be credited to a Caesars Participant’s “Company Contribution Account” under the Caesars Plan, determined in accordance with Section 4.5(c) (Caesars Matching Contributions), on behalf of such Caesars Participant, as adjusted to reflect the rate of return on the hypothetical Investment Funds selected by the Caesars Participant in accordance with Section 6.4 (Investment Direction) and other credits or charges in accordance with this Plan. A Caesars Participant’s Caesars Company Contribution Account shall be divided into subaccounts as determined by the EDCP Committee.

2.5B **“Caesars Participant”** means:

(a) an Employee who is a “Participant” (as defined in the Caesars Plan) and becomes a Participant in accordance with Section 3.1(e) (1), or

(b) any other “Participant” (as defined in the Caesars Plan) or former “Participant” who has an “Account” (as defined in the Caesars Plan) or “Accounts” under the Caesars Plan, effective as of the Caesars Plan Transfer Date.

2.5C **“Caesars Plan”** means the Park Place Entertainment Corporation Executive Deferred Compensation Plan, as amended.

2.5D **“Caesars Plan Transfer Date”** means August 1, 2006.

2.6 **“Change of Control”** means and includes each of the following events or transactions described in subsection (a), (b), (c) or (d):

(a) the acquisition, directly or indirectly, by any “person” or “group” (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules thereunder) of “beneficial ownership” (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote

generally in the election of directors (“voting securities”) of the Company that represent twenty-five percent (25%) or more of the combined voting power of the Company’s then outstanding voting securities, other than

(1) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(2) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(3) an acquisition of voting securities pursuant to a transaction described in subsection (c) below that would not be a Change of Control under subsection (c);

Notwithstanding the foregoing, neither of the following events shall constitute an “acquisition” by any person or group for purposes of this subsection (a): an acquisition of the Company’s securities by the Company which causes the Company’s voting securities beneficially owned by a person or group to represent twenty-five percent (25%) or more of the combined voting power of the Company’s then outstanding voting securities; provided, however, that if a person or group shall become the beneficial owner of twenty-five percent (25%) or more of the combined voting power of the Company’s then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change of Control; or

(b) during any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in subsection (a) or (c)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of a merger, consolidation, reorganization, or business combination, or a sale or other disposition of all or substantially all of the Company's assets, or the acquisition of assets or stock of another entity, in each case other than a transaction

(1) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining

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outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity") directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(2) after which no person or group beneficially owns voting securities representing twenty-five percent (25%) or more of the combined voting power of the Successor Entity; *provided, however*, that no person or group shall be treated for purposes of this paragraph (2) as beneficially owning twenty-five percent (25%) or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(d) the Company's stockholders approve a liquidation or dissolution of the Company.

The HRC shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a "Change of Control" has occurred pursuant to the above definition, and the date of the occurrence of such "Change of Control" and any incidental matters relating thereto.

2.7 "**Code**" means the Internal Revenue Code of 1986, as amended from time to time.

2.8 "**Company**" means Harrah's Entertainment, Inc., a Delaware corporation.

2.9 "**Compensation**" means, for each Deferral Period, the total Salary earned to the Participant and the Bonus earned by the Participant.

2.10 "**Deferral Contribution**" means a contribution by a Participant pursuant to Section 4.1 (Participant Contributions) of this Plan.

2.11 "**Deferral Contribution Account**" means the Account maintained to record the Deferral Contributions made by a Participant pursuant to Section 4.1 (Participant Contributions) (and, in the case of a Caesars Participant, the deferral contributions made under Sections 4.5(a) and (b) (Caesars Base Compensation Deferral Contributions and Caesars Bonus Deferral Contributions)) as adjusted to reflect the rate of return on the hypothetical Investment Funds selected by the Participant in accordance with Section 6.4 (Investment Direction) and other credits or charges in accordance with this Plan. A Participant's Deferral Contribution Account shall be divided into subaccounts as determined by the EDCP Committee.

2.12 "**Deferral Period**" means, the twelve (12) month period beginning on each January 1 and ending on the next following December 31. The initial Deferral Period shall commence as of the Effective Date and shall end on the next following December 31.

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2.13 "**Disability**" means, for purposes of this Plan, that the Participant qualifies to receive long term disability payments under the Employer's long term disability insurance program, as it may be amended from time to time.

2.14 "**Discretionary Contribution**" means an Employer contribution determined in accordance with Section 4.4 (Discretionary Contributions) of this Plan, which may, in the discretion of the Employer, be transferred to the Trust.

2.15 "**Discretionary Contribution Account**" means the Account maintained to record the Discretionary Contributions calculated in accordance with Section 4.4 (Discretionary Contributions) on behalf of a Participant, as adjusted to reflect the rate of return on the hypothetical Investment Funds selected by the Participant in accordance with Section 6.4 (Investment Direction) and other credits or charges in accordance with this Plan. A Participant's Discretionary Contribution Account shall be divided into subaccounts as determined by the EDCP Committee.

2.16 "**Distribution Year**" means the calendar year selected by a Participant for purposes of distributions from the subaccounts of such Participant's Accounts for a Deferral Period.

2.17 "**EDCP Committee**" means the committee designated in accordance with Section 9.3 (Creation of Committee) to carry out the administrative responsibilities under the Plan.

2.18 **“EDCP Investment Committee”** means the committee that has the responsibility for selecting and monitoring performance of the Investment Funds.

2.19 **“Effective Date”** means January 1, 2005. With respect to each Affiliate that adopts this Plan after January 1, 2005, the term “Effective Date” means the date designated by the adopting Affiliate.

2.20 **“Employee”** means any individual classified by an Employer as a common law employee of the Employer. For this purpose, the classification that is relevant is the classification in which such individual is placed by the Employer for purposes of this Plan and the classification of such individual for any other purpose (e.g., employment tax or withholding purposes) shall be irrelevant. If an individual is characterized as a common law employee of the Employer by a governmental agency or court but not by the Employer, such individual shall be treated as an employee who has not been designated for participation in this Plan.

2.21 **“Employer”** means the Company and any Affiliate that has adopted this Plan pursuant to Section 3.5 (Adoption by Affiliates).

2.22 **“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.23 **“401(k) Compensation”** means, with respect to a Participant, such Participant’s compensation (as defined in the Savings and Retirement Plan) for purposes of determining the

Employer’s matching contribution (if any) for such Participant under the Savings and Retirement Plan.

2.24 **“401(k) Contributions”** means a Participant’s “elective contributions,” as defined in Treasury Regulation Section 1.401(k)-1(g)(3), made to the Savings and Retirement Plan in which such Participant is a participant.

2.25 **“401(k) Matchable Deferrals”** means, with respect to a Participant, such Participant’s assumed 401(k) Contributions subject to the Employer’s matching contribution under the Savings and Retirement Plan, which shall equal:

- (a) the Matching Limit, multiplied by
- (b) such Participant’s 401(k) Compensation.

A Participant’s “401(k) Matchable Deferrals” for a Deferral Period shall be determined without regard to such Participant’s actual 401(k) Contributions for such Deferral Period.

2.26 **“401(k) Matching Contributions”** means, with respect to a Participant, the Employer’s matching contributions assumed to be made for such Participant under the Savings and Retirement Plan, determined under the Matching Formula, based on such Participant’s 401(k) Matchable Deferrals. A Participant’s “401(k) Matching Contributions” for a Deferral Period shall be determined without regard to the Employer’s actual matching contributions made for such Participant for such Deferral Period.

2.26A **“Harrah’s ESSP”** means the Harrah’s Entertainment, Inc. Executive Supplemental Savings Plan, as amended.

2.26B **“Harrah’s ESSP Participant”** means a “Participant” in the Harrah’s ESSP.

2.26C **“Harrah’s ESSP First Transfer Date”** means January 1, 2005.

2.26D **“Harrah’s ESSP Second Transfer Date”** means January 1, 2006.

2.27 **“HRC”** means the Human Resources Committee of the Board.

2.28 **“Investment Fund”** means the hypothetical investment fund or funds established by the EDCP Investment Committee pursuant to Section 6.4 (Investment Direction).

2.29 **“Matching Contribution”** means an Employer contribution calculated in accordance with Section 4.2 (Matching Contributions) of this Plan, which may, in the discretion of the Employer, be transferred to the Trust.

2.30 **“Matching Contribution Account”** means the Account maintained to record the Matching Contributions calculated in accordance with Section 4.2 (Matching Contributions) on behalf of a Participant, as adjusted to reflect the rate of return on the hypothetical Investment Funds selected by the Participant in accordance with Section 6.4 (Investment Direction) and

other credits or charges in accordance with this Plan. A Participant’s Matching Contribution Account shall be divided into subaccounts as determined by the EDCP Committee.

2.31 “Matching Formula” means, with respect to a Participant, the formula under which matching contributions in the Savings and Retirement Plan under which such Participant is eligible to make contributions are determined for such Participant, determined without regard to any limitations on such matching contributions under Section 401(m) or 415 of the Code, or any limitation of compensation taken into account in determining such matching contributions under Section 401(a)(17) of the Code. The “Matching Formula” for a Participant for a Deferral Period shall be determined as of the first day of such Deferral Period (or, if such Participant first becomes eligible to participate in the Plan during such Deferral Period, the date as of which he or she first becomes eligible to participate).

2.32 “Matching Limit” means, with respect to a Participant, the maximum designated percentage of 401(k) Compensation of such Participant that, if contributed by such Participant to the Savings and Retirement Plan, is eligible for a matching contribution under the Matching Formula of the Savings and Retirement Plan under which such Participant is eligible to make contributions.

2.33 “Participant” means any Employee who has been selected for participation in the Plan. The term “Participant” also shall include former Participants whose benefits under the Plan have not been fully distributed pursuant to the provisions of the Plan. The term “Participant” shall also include: (a) with respect to Transferred Harrah’s ESSP Accounts, a Harrah’s ESSP Participant, (b) a Caesars Participant described in Section 2.5B(a), and (c) with respect to Transferred Caesars Accounts, a Caesars Participant described in Section 2.5B(b).

2.34 “Participation Agreement” means the agreement to defer Salary and/or Bonus submitted by a Participant to the EDCP Committee in accordance with Section 3.2 (Participation Agreement). The term “Participation Agreement” shall also include the agreement of a Caesars Participant in accordance with Section 3.2(b). Such agreement shall be in written or electronic form, as determined by the EDCP Committee.

2.35 “Plan” means this Harrah’s Entertainment, Inc. Executive Supplemental Savings Plan II, as it may be amended from time to time.

2.36 “Salary” means the annual base salary earned by the Participant from the Employer during the Deferral Period, before reduction for amounts deferred pursuant to this Plan, the Savings and Retirement Plan, any plan maintained under Section 125 of the Code or any other plan maintained by the Company or an Employer. Salary does not include expense reimbursements, salary continuation payments except as otherwise provided by an employment agreement or separation agreement, or any form of non-cash compensation and benefits.

2.37 “Savings and Retirement Plan” means the Harrah’s Entertainment, Inc. Savings and Retirement Plan, as it may be amended from time to time, the Horseshoe Gaming Holding Corp. 401(k) Plan, as it may be amended from time to time, and such other profit-sharing plans qualified under Sections 401(a) and 401(k) of the Code that are maintained by an Employer and designated from time to time by the EDCP Committee. For purposes of the Plan, with respect to

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any Participant, “Savings and Retirement Plan” shall mean, for the Deferral Period or any portion thereof, the plan to which such Participant is eligible to make elective deferral contributions during such Deferral Period or portion thereof; *provided, however*, for purposes of Sections 4.2(c)(1)(C) and 4.2(c)(2)(C), the “Savings and Retirement Plan” shall mean the Harrah’s Entertainment, Inc. Savings and Retirement Plan, as it may be amended from time to time (without regard to whether the Caesars Participant is eligible to make elective deferral contributions under the Harrah’s Entertainment, Inc. Savings and Retirement Plan).

2.38 “Separation from Service” of a Participant means his or her “separation from service,” with respect to the Company and the Affiliates, within the meaning of Section 409A(a)(2)(A)(i) of the Code, as determined by the Secretary of the Treasury. The HRC shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Participant has had a “Separation from Service,” and the date of such “Separation from Service.”

2.39 “Specified Employee” means, with respect to the Company and the Affiliates, a “key employee,” as defined in Section 416(i) of the Code (determined without regard to paragraph (5) thereof) of the corporation, if any stock in such corporation is publicly traded on an established securities market or otherwise, within the meaning of Section 409A(a)(2)(B)(i) of the Code and the Treasury Regulations thereunder.

2.39A “Transferred Caesars Accounts” means a Caesars Participant’s Transferred Caesars Company Contribution Account and Transferred Caesars Deferral Account.

2.39B “Transferred Caesars Company Contribution Account” means the Account maintained to record the amounts transferred from the Caesars Plan, which are described in Section 4.7(d) and (e), as adjusted to reflect the rate of return on the hypothetical Investment Funds selected by the Caesars Participant in accordance with Section 6.4 (Investment Direction) and other credits or charges in accordance with this Plan. A Caesars Participant’s Transferred Caesars Company Contribution Account shall be divided into subaccounts as determined by the EDCP Committee.

2.39C “Transferred Caesars Deferral Account” means the Account maintained to record the amounts transferred from the Caesars Plan, which are described in Section 4.7(b) and (c), as adjusted to reflect the rate of return on the hypothetical Investment Funds selected by the Caesars Participant in accordance with Section 6.4 (Investment Direction) and other credits or charges in accordance with this Plan. A Caesars Participant’s Transferred Caesars Deferral Account shall be divided into subaccounts as determined by the EDCP Committee.

2.39D “Transferred Harrah’s ESSP Accounts” means a Harrah’s ESSP Participant’s Transferred Harrah’s ESSP Deferral Contribution Account and Transferred Harrah’s ESSP Matching Contribution Account.

2.39E “Transferred Harrah’s ESSP Deferral Contribution Account” means the Account maintained to record the amounts credited pursuant to Section 4.6, and the amounts transferred from the Harrah’s ESSP, which are described in Section 4.8(b), as adjusted to reflect

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the rate of return on the hypothetical Investment Funds selected by the Harrah's ESSP Participant in accordance with Section 6.4 (Investment Direction) and other credits or charges in accordance with this Plan. A Harrah's ESSP Participant's Transferred ESSP Deferral Contribution Account shall be divided into subaccounts as determined by the EDCP Committee.

2.39F "**Transferred Harrah's ESSP Matching Contribution Account**" means the Account maintained to record the amounts transferred from the Harrah's ESSP, which are described in Section 4.8(c), as adjusted to reflect the rate of return on the hypothetical Investment Funds selected by the Harrah's ESSP Participant in accordance with Section 6.4 (Investment Direction) and other credits or charges in accordance with this Plan. A Harrah's ESSP Participant's Transferred Harrah's ESSP Matching Contribution Account shall be divided into subaccounts as determined by the EDCP Committee.

2.40 "**Trust**" means the trust established under the Trust Agreement.

2.41 "**Trust Agreement**" means that certain trust agreement established pursuant to the Plan between the Company and the Trustee or any trust agreement hereafter established, the provisions of which are incorporated herein by reference.

2.42 "**Trust Fund**" means all assets of whatsoever kind or nature held from time to time by the Trustee pursuant to the Trust Agreement and forming a part of this Plan, without distinction as to income and principal and without regard to source, *i.e.*, Employer or Participant contributions or earnings.

2.43 "**Trustee**" means the Trustee under the Trust Agreement.

2.44 "**Valuation Date**" means the date for valuing the hypothetical Investment Funds maintained under the Plan, which shall be each business day of the Deferral Period.

2.45 "**Years of Vesting Service**" means the years of service credited to an individual for vesting purposes under the Savings and Retirement Plan, determined in accordance with all applicable provisions of the Savings and Retirement Plan.

ARTICLE THREE **ELIGIBILITY**

3.1 **Selection of Participants.**

(a) **General.** For purposes of Title I of ERISA, the Plan is intended to be an unfunded plan of deferred compensation covering a select group of management or highly compensated employees of an Employer, within the meaning of Sections 201(1), 301(a)(3) and 401(a)(1) of ERISA. As a result, participation in the Plan shall be limited to Employees employed in a position classified by the Company as a Director-level position or above, and any other Employees employed by an Employer who are selected for participation in the Plan by the EDCP Committee. To further ensure compliance with the ERISA participation requirements applicable to this Plan, the Company, in the exercise of its discretion, may exclude from participation in the Plan an individual who

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otherwise meets the requirements this Section 3.1(a) for any reason, or for no reason, as the Company deems to be appropriate.

(b) **Eligibility Date.** An Employee who, as of the Effective Date, is employed in a position classified by the Company as a Director-level position or above, or has been selected for participation in the Plan by the EDCP Committee, shall become eligible to participate in the Plan as of the Effective Date. Any other Employee shall become eligible to participate in the Plan as of the first day of the Deferral Period on or next following the date on which such Employee is employed in a position classified by the Company as a Director level position or above (or as of such earlier or later date as is designated by the EDCP Committee), or if such Employee is selected for participation in the Plan by the EDCP Committee, the date of participation designated by the EDCP Committee. The date as of which an Employee first becomes eligible to participate in the Plan shall be referred to as such Employee's "Eligibility Date."

(c) **Entry into Plan.**

(1) **Entry on Effective Date.** An Employee who is eligible to participate in the Plan as of the Effective Date shall enter the Plan as of the Effective Date. If such Participant's initial Participation Agreement is completed and delivered to the EDCP Committee prior to the Effective Date, the Participant's Deferral Contributions shall be determined with reference to Compensation earned on or after the Effective Date.

(2) **Entry after Effective Date.** Except as provided in paragraph (3), if a Participant becomes eligible to participate in the Plan after the Effective Date, such Participant may elect to begin Plan participation as of the first day of any subsequent Deferral Period. Such Participant shall complete and deliver his or her Participation Agreement in accordance with the rules and procedures adopted by the EDCP Committee for such purpose on or before the first day of such Deferral Period, and such Participant's Deferral Contributions shall be determined with reference to Compensation earned on or after the first day of such Deferral Period.

(3) **Exception to Entry Requirement.** If a Participant first becomes eligible to participate in the Plan after the Effective Date, such Participant may elect to begin Plan participation during a Deferral Period, if such Participant elects to begin Plan participation within thirty (30) days after his or her Eligibility Date. Such Participant shall complete and deliver his or her Participation Agreement in accordance with the rules and procedures adopted by the EDCP Committee for such purpose within thirty (30) days after his or her Eligibility Date, and such Participation Agreement shall be effective as of such date following completion and delivery as is determined by the EDCP Committee. Such Participation Agreement shall apply only with respect to such Participant's Salary earned on or after the first day of the first full payroll period in the Deferral Period following the effective date of such Participation Agreement, and that portion of the Bonus earned during the portion of the Deferral Period commencing on the effective date of such Participation Agreement, as determined by the EDCP Committee.

(4) **Exception for Administrative Error.**

(A) Notwithstanding Section 3.1(c)(1), in the event that an Employee who is eligible to participate in the Plan as of the Effective Date was not afforded an opportunity to submit a Participation Agreement prior to the Effective Date due to administrative or clerical error, such Employee may complete and deliver a Participation Agreement to the EDCP Committee on or before March 15, 2005, and such Employee shall enter the Plan as of the date of the delivery of such Participation Agreement to the EDCP Committee. The Participant's Deferral Contributions shall be determined with reference to Compensation earned on or after the Effective Date to the extent payable after the date of such Participant's entry into the Plan.

(B) Notwithstanding Section 3.1(c)(1), in the event that an Employee who is eligible to participate in the Plan as of the Effective Date failed to provide a confirmed electronic Participation Agreement prior to the Effective Date, such Employee may complete and deliver a Participation Agreement to the EDCP Committee, in written or electronic form, on or before March 15, 2005, and such Employee shall enter the Plan as of the date of the delivery of such Participation Agreement to the EDCP Committee. The Participant's Deferral Contributions shall be determined with reference to Compensation earned on or after the Effective Date to the extent payable after the date of such Participant's entry into the Plan.

(d) **No Waiting Periods.** A Participant need not complete any particular period of service in order to be eligible to make Deferral Contributions or to receive Discretionary Contributions. Except as otherwise provided in Section 4.2(c), in order to receive Matching Contributions for a Deferral Period, however, a Participant also must be eligible to receive matching contributions under the Savings and Retirement Plan for that Deferral Period, as determined in accordance with the provisions of the Savings and Retirement Plan.

(e) **Participants in the Caesars Plan.**

(1) **Eligibility Date.** An Employee who is a "Participant" in the Caesars Plan as of the first day of the first payroll period for such Employee beginning on or after July 1, 2005 shall become eligible to participate in the Plan as of the first day of such payroll period. Such an Employee shall be referred to as "Caesars Participant."

(2) **2005 Contributions for a Caesars Participant.** As provided in Section 4.5, a Caesars Participant shall be eligible to participate in the Plan with respect to the 2005 Deferral Period solely for purposes of the crediting of:

(A) the "Base Compensation" (as defined in the Caesars Plan) deferred by such Caesars Participant under the Caesars Plan for any payroll period for such Participant commencing on or after July 1, 2005 and before January 1, 2006,

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(B) the "Bonus Compensation" (as defined in the Caesars Plan) earned for services performed during 2005, and otherwise payable on or after July 1, 2005 and deferred by such Participant under the Caesars Plan,

(C) the "Base Compensation Company Contribution Amounts" (as defined in the Caesars Plan) with respect to any payroll period for such Caesars Participant commencing on or after July 1, 2005 and before January 1, 2006, and

(D) the "Bonus Compensation Company Contribution Amounts" (as defined in the Caesars Plan), with respect to such Caesars Participant's "Bonus Compensation" (as defined in the Caesars Plan) earned for services performed during 2005, and otherwise payable on or after July 1, 2005 and deferred by such Caesars Participant under the Caesars Plan.

(3) **Other Deferrals and Matching Contributions Prohibited.** A Caesars Participant shall not be eligible to make Deferral Contributions under Section 4.1 with respect to the 2005 Deferral Period, and shall not be eligible to receive Matching Contribution credits under Section 4.2 with respect to the 2005 Deferral Period. A Caesars Participant shall be eligible to receive Discretionary Contribution credits (if any) under Section 4.4 with respect to the 2005 Deferral Period, subject to such terms and conditions as are prescribed by the Employer.

(4) **Eligibility for Subsequent Years.** A Caesars Participant shall be eligible to make Deferral Contributions under Section 4.1, and shall be eligible for Matching Contribution credits and Discretionary Contribution credits under Sections 4.2 and 4.4, with respect to the 2006 Deferral Period and subsequent Deferral Periods, subject to the terms and conditions thereof, if such Caesars Participant satisfies the eligibility requirements of subsection (b).

3.2 Participation Agreement.

(a) **Content of Participation Agreement.**

(1) **Authorization of Deferral Contributions.** A Participant shall complete and deliver a Participation Agreement evidencing his or her election to participate in the Plan with respect to a Deferral Period, in the manner and at such time as the EDCP Committee shall require. Except as otherwise provided in Section 3.1(c)(3) (**Selection of Participants – Entry into Plan – Exception to Entry Requirement**), a Participant must complete and deliver his or her Participation Agreement with respect to the Deferral Period prior to such Deferral Period. In the Participation Agreement with respect to a Deferral Period, the Participant shall select the amount or rate of his or her Deferral Contributions and authorize the reduction of his or her Compensation in an amount equal to his or her Deferral Contributions. A Participant's Participation Agreement shall set forth such other information as the EDCP Committee shall require.

(2) **Distribution Elections.** A Participant shall make a Separation from Service Election, or a Distribution Year Election, in his or her Participation Agreement in accordance with Section 8.1 (Distribution Elections).

(3) **Subsequent Deferral Periods.** The Participation Agreement made by the Participant for a Deferral Period shall apply to such Deferral Period, and shall apply to each subsequent Deferral Period, except to the extent such Participant completes and delivers a new Participation Agreement prior to the first day of such Deferral Period, as follows:

(A) such Participant's election to defer such Participant's Salary and Bonus under Sections 4.1 (Participant Contributions) shall be effective for such subsequent Deferral Period,

(B) in the event such Participant made a Separation from Service Election, such Participant's Separation from Service Election (including the form of distribution thereunder) shall be effective for such subsequent Deferral Period, and

(C) in the event such Participant made a Distribution Year Election, such Distribution Year Election shall not be effective for such subsequent Deferral Period, and such Participant shall be deemed to have made a Separation from Service Election (and elected distribution in the form of a lump sum payment) for such subsequent Deferral Period.

A Participant may, but shall not be required to, complete and deliver a Participation Agreement for each Deferral Period.

(b) **Initial Participant Agreement for Caesars Participants.**

(1) **Distribution Elections.** A Caesars Participant shall complete and deliver a Participation Agreement evidencing his or her distribution election with respect to the amounts credited to his or her Accounts under Section 4.5. A Caesars Participant must complete and deliver his or her Participation Agreement with respect to the 2005 Deferral Period not later than June 30, 2005. A Caesars Participant shall make a Separation from Service Election, or a Distribution Year Election, in his or her Participation Agreement in accordance with Section 8.1 (Distribution Elections). A Caesars Participant's Participation Agreement shall set forth such other information as the EDCP Committee shall require.

(2) **Other Deferrals and Matching Contributions Prohibited.** Notwithstanding Sections 4.1 and 4.2, a Caesars Participant shall not be eligible to elect to defer such Participant's Salary or Bonus earned during the 2005 Deferral Period, and the Employer shall not make Matching Contributions on behalf of a Caesars Participant with respect to the 2005 Deferral Period.

3.3 **Discontinuance of Participation.** Once an Employee is designated as a Participant, he or she shall continue as such for all future Deferral Periods unless and until: (a) the Participant terminates from employment with the Employer and all Affiliates and receives a full distribution of his Accounts, (b) is no longer categorized as an individual entitled to participate in the Plan pursuant to Section 3.1 (Selection of Participants) above, or (c) the HRC

specifically acts to discontinue the Participant's participation. The HRC may discontinue a Participant's participation in the Plan at any time for any or no reason. If a Participant's participation is discontinued, the Participant shall no longer be eligible to make Deferral Contributions and shall no longer be eligible for Matching Contributions or Discretionary Contributions. The Participant shall not be entitled to receive a distribution, however, until the occurrence of one of the events listed in Article Five (Withdrawals upon Unforeseeable Emergency) or Article Eight (Distribution Elections; Payment of Benefits).

3.4 **Reemployment.** If a former Employee is rehired by an Employer and is eligible to participate in the Plan, he or she shall reenter the Plan on the first day of any Deferral Period commencing after the date he or she is rehired in accordance with the provisions of Section 3.1 (Selection of Participants). Such Employee's reentry into the Plan shall have no impact on any distributions that have been made or are being made in accordance with Article Eight (Distribution Elections; Payment of Benefits). Any amounts previously forfeited from the Participant's Accounts pursuant to Section 7.1 (Vesting of Benefits) shall not be restored or reinstated upon the Participant's subsequent reentry into the Plan.

3.5 **Adoption by Affiliates.** Any Affiliate of the Company may adopt this Plan with the approval of the EDCP Committee. Any Affiliate that permits an individual to make Deferral Contributions pursuant to Section 4.1 (Participant Contributions) shall be deemed to have adopted the Plan without any further action. The EDCP Committee's acceptance of such Deferral Contributions shall evidence the consent of the EDCP Committee to the adoption of the Plan by the Affiliate. Notwithstanding the foregoing, at the request of the EDCP Committee, the Affiliate shall evidence its adoption of the Plan by an appropriate resolution of its Board of Directors or in such other manner as may be authorized by the EDCP Committee. By adopting this Plan, the Affiliate shall be deemed to have agreed to make the contributions called for by Article Four (Contributions), agreed to comply with all of the other terms and provisions of this Plan, delegated to the EDCP Committee the power and responsibility to administer this Plan with respect to the Affiliate's employees, and delegated to the Company the full power to amend or terminate this Plan with respect to the Affiliate's Employees.

ARTICLE FOUR
CONTRIBUTIONS

4.1 **Participant Contributions.**

(a) **Salary Deferral Contributions.** Subject to subsection (d), a Participant may elect to defer any whole percentage of such Participant's Salary earned by him or her during the Deferral Period up to a maximum of seventy-five percent (75%), or such other maximum amount as may

be prescribed by the EDCP Committee as the Salary Deferral Contribution limit for all Participants or pursuant to subsection (c).

(b) **Bonus Deferral Contributions.** A Participant may elect to defer any whole percentage of any Bonus earned by him or her during the Deferral Period (which may be paid during the applicable Deferral Period or after the close of the applicable Deferral Period), up to a maximum of ninety percent (90%), or such other maximum amount as may be prescribed by

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the EDCP Committee as the Bonus Deferral Contribution limit for all Participants or pursuant to subsection (c).

(c) **Excess Deferral Contributions.** The EDCP Committee may, in its discretion, permit an individual Participant to make Deferral Contributions in excess of the limitations set forth in or established in accordance with this Section 4.1, or place additional restrictions on an individual Participant's Deferral Contributions, prior to the first day of the Deferral Period for which such permission or additional limitation is to be effective. All Deferral Contributions under this Plan shall be made in accordance with such rules and procedures regarding Participant deferrals as may be promulgated by the EDCP Committee from time to time. All Participant elections are subject to the timing requirements set forth in Section 3.2 (Participation Agreement).

(d) **Mandatory Salary Deferral Contributions.** If a Participant is required under the terms of such Participant's employment agreement with the Employer to defer that portion of such Participant's Salary in excess of one million dollars (\$1,000,000) (or such other amount as specified in such agreement), the portion of such Participant's Salary earned during the Deferral Period in excess of such amount shall be deferred pursuant to this subsection (d). The EDCP Committee shall determine the amount required to be deferred from such Participant's Salary for each pay period during the Deferral Period. Such Participant may elect to defer the remainder of his or her Salary in accordance with subsection (a).

4.2 **Matching Contributions.**

(a) **Eligible Participants.** Subject to subsection (c), each Employer shall make a Matching Contribution on behalf of each of its Participants who has elected to make Salary Deferral Contributions during the Deferral Period under Section 4.1 (Participant Contributions), and is eligible to receive a matching contribution under the Savings and Retirement Plan, in accordance with subsection (b). No Matching Contributions shall be made with respect to Bonus Deferral Contributions. The Matching Contribution shall be credited to each eligible Participant's Matching Contribution Account as of the year-end Valuation Date or date of termination.

(b) **Matching Contribution Formula.** The Matching Contribution for each eligible Participant shall equal the excess (if any) of:

(1) the matching contributions that would have been made for such Participant under the Savings and Retirement Plan, determined under the Matching Formula, based on the sum of

(A) the Participant's 401(k) Matchable Deferrals for the plan year of the Savings and Retirement Plan coinciding with the Deferral Period, plus

(B) the Participant's Salary Deferral Contributions in the Deferral Period,

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

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(2) the Participant's 401(k) Matching Contributions for the plan year of the Savings and Retirement Plan coinciding with such Deferral Period.

(c) **Special Matching Contributions for Caesars Participants.**

(1) **Caesars Participants Eligible for Matching Contributions under the Caesars Plan.** If a Caesars Participant was eligible to receive "Base Compensation Company Contribution Amounts" (as defined in the Caesars Plan) and "Bonus Compensation Company Contribution Amounts" (as defined in the Caesars Plan) under the Caesars Plan effective as of June 13, 2005, an Employer shall make special Matching Contributions on behalf of each such Caesars Participant who has elected to make Deferral Contributions during the 2006 Deferral Period under Section 4.1 (Participant Contributions), in accordance with this paragraph (1). Such special Matching Contributions shall be in lieu of the Matching Contributions that otherwise would have been made by the Employer for such Caesars Participant under subsections (a) and (b) for the 2006 Deferral Period. The special Matching Contributions under subparagraph (A) shall be credited to an eligible Caesars Participant's Caesars Company Contribution Account as soon as practicable after the last day of each payroll period for such Salary, the special Matching Contribution under subparagraph (B) shall be credited to an eligible Caesars Participant's Caesars Company Contribution Account as soon as practicable after the day the Bonus otherwise would be payable, and the special Matching Contribution under subparagraph (C) shall be credited to an eligible Caesars Participant's Matching Contribution Account as of the year-end Valuation Date or date of termination. The special Matching Contributions with respect to a Caesars Participant for the 2006 Deferral Period shall be determined as follows:

(A) with respect to each payroll period for such Caesars Participant commencing on or after January 1, 2006 and before June 13, 2006, such Employer shall make a special Matching Contribution on behalf of such Caesars Participant in an amount equal to 50% of the Caesars Participant's Salary Deferral Contributions for such payroll period, disregarding any such Salary Deferral Contributions in excess of 10% of such Caesars Participant's Salary for such payroll period,

(B) with respect to each Bonus of such Caesars Participant earned for services performed in 2006, and payable on or after January 1, 2006 and before June 13, 2006, such Employer shall make a special Matching Contribution on behalf of such Caesars Participant in

an amount equal to 50% of the Caesars Participant's Bonus Deferral Contributions, disregarding any such Bonus Deferral Contributions in excess of 10% of such Caesars Participant's Bonus, and

(C) with respect to the payroll periods for such Caesars Participant commencing on or after June 13, 2006 and before January 1, 2007, such Employer shall make a special Matching Contribution on behalf of such Caesars Participant equal to the excess (if any) of:

(I) the matching contributions that would have been made for such Caesars Participant under the Savings and Retirement Plan

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(assuming such Caesars Participant had been a participant therein), determined under the Matching Formula, based on the sum of

(i) the Caesars Participant's 401(k) Matchable Deferrals for the plan year of the Savings and Retirement Plan coinciding with the 2006 Deferral Period, multiplied by the Caesars Fraction (as defined in paragraph (3)), plus

(ii) the total of the Caesars Participant's Salary Deferral Contributions that are deferred for the payroll periods of the Caesars Participant commencing on or after June 13, 2006 and before January 1, 2007,

up to the Matching Limit as applied to the Caesars Participant's total Salary for the payroll periods commencing on or after June 13, 2006 and before January 1, 2007, less

(II) the Caesars Participant's 401(k) Matching Contributions for the plan year of the Savings and Retirement Plan coinciding with the 2006 Deferral Period, multiplied by the Caesars Fraction.

(2) **Caesars Participants Not Eligible for Matching Contributions under the Caesars Plan.** If a Caesars Participant was not eligible to receive "Base Compensation Company Contribution Amounts" (as defined in the Caesars Plan) and "Bonus Compensation Company Contribution Amounts" (as defined in the Caesars Plan) effective as of June 13, 2005, an Employer shall make special Matching Contributions on behalf of each such Caesars Participant who has elected to make Deferral Contributions during the 2006 Deferral Period under Section 4.1 (Participant Contributions), in accordance with this paragraph (2). Such special Matching Contributions shall be in lieu of the Matching Contributions that otherwise would have been made by the Employer for such Caesars Participant under subsections (a) and (b) for the 2006 Deferral Period. The special Matching Contribution under subparagraph (C) shall be credited to an eligible Caesars Participant's Matching Contribution Account as of the year-end Valuation Date or date of termination. The special Matching Contributions with respect to a Caesars Participant for the 2006 Deferral Period shall be determined as follows:

(A) No special Matching Contributions shall be made for such Caesars Participant's Salary Deferral Contributions with respect to each payroll period for such Caesars Participant commencing on or after January 1, 2006 and before June 13, 2006,

(B) No special Matching Contributions shall be made for such Caesars Participant's Bonus earned for services performed in 2006, and

(C) with respect to the payroll periods for such Caesars Participant commencing on or after June 13, 2006 and before January 1, 2007, such

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Employer shall make a special Matching Contribution on behalf of such Caesars Participant equal to the excess (if any) of:

(I) the matching contributions that would have been made for such Caesars Participant under the Savings and Retirement Plan (assuming such Caesars Participant had been a participant therein), determined under the Matching Formula, based on the sum of

(i) the Caesars Participant's 401(k) Matchable Deferrals for the plan year of the Savings and Retirement Plan coinciding with the 2006 Deferral Period, multiplied by the Caesars Fraction (as defined in paragraph (3)), plus

(ii) the total of the Caesars Participant's Salary Deferral Contributions that are deferred for the payroll periods of the Caesars Participant commencing on or after June 13, 2006 and before January 1, 2007,

up to the Matching Limit as applied to the Caesars Participant's total Salary for the payroll periods commencing on or after June 13, 2006 and before January 1, 2007, less

(II) the Caesars Participant's 401(k) Matching Contributions for the plan year of the Savings and Retirement Plan coinciding with the 2006 Deferral Period, multiplied by the Caesars Fraction.

(3) **Caesars Fraction.** For purposes of subparagraph (1)(C) or (2)(C), as applicable, the "Caesars Fraction" of a Caesars Participant shall mean the fraction, (A) the numerator of which is the number of days during the period commencing June 13, 2006 and ending on December 31, 2006 (or, if earlier, the date of the termination of such Caesars Participant's employment with the Employers and all Affiliates), and (B) the denominator is 365 days.

(4) **Caesars Participants Eligible for Special Matching Contributions.** The EDCP Committee shall maintain a list of each Caesars Participant who is eligible for the special Matching Contributions under paragraph (1) or (2).

4.3 **Change or Suspension of Contributions.**

(a) **Rules.** Any and all changes or suspensions of Deferral Contributions made pursuant to this Section 4.3 shall be made in accordance with rules promulgated by the EDCP Committee.

(b) **Salary Deferral Contributions.**

(1) A Participant may change the amount or percentage of his or her Salary Deferral Contributions under Section 4.1(a) (Participant Contributions – Salary).

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Deferral Contributions), or suspend his or her Salary Deferral Contributions under Section 4.1(a), prior to the beginning of any Deferral Period. Any change in the amount or percentage of the Salary Deferral Contributions to be made from any Salary, or suspension of Salary Deferral Contributions, shall be effective with respect to Salary earned on or after the first day of the first full pay period of the next following Deferral Period.

(2) A Participant may not change or suspend the amount of his or her Salary Deferral Contributions for a Deferral Period under Section 4.1(d) (Participant Contributions – Mandatory Salary Deferral Contributions).

(c) **Bonus Deferral Contributions.**

(1) A Participant may change the amount or percentage of his or her Bonus Deferral Contributions under Section 4.1(b) (Participant Contributions – Bonus Deferral Contributions), or suspend his or her Bonus Deferral Contributions under Section 4.1(b), prior to the beginning of any Deferral Period. Any change in the amount or percentage of the Bonus Deferral Contributions to be made from any Bonus shall be effective with respect to Bonus earned on or after the first day of the next following Deferral Period.

(2) Notwithstanding paragraph (1), the EDCP Committee, in its discretion, may permit a Participant to change the amount or percentage of his or her Bonus Deferral Contributions under Section 4.1(b), or suspend his or her Bonus Deferral Contributions under Section 4.1(b), to the extent such Participant's Bonus constitutes performance-based compensation based on services performed over a period of at least twelve (12) months (within the meaning of Section 409A(a)(4)(B)(iii) of the Code and the Treasury Regulations thereunder), not later than six months before the end of the service period of such Bonus, in accordance with Section 409A(a)(4)(B)(iii) of the Code and the Treasury Regulations thereunder.

(d) **Future Participation.** A Participant's election to make no Deferral Contributions to the Plan during one or more Deferral Periods, or to suspend his or her Deferral Contributions, shall not affect his or her continued participation in the Plan or his or her ability to resume his Deferral Contributions to the Plan in a future Deferral Period.

4.4 **Discretionary Contributions.** With the approval of the EDCP Committee, each Employer, in its sole discretion, may make a Discretionary Contribution on behalf of such Participants as it designates. The amount of the Discretionary Contribution shall be determined by the Employer in its sole discretion, and approved by the EDCP Committee. All Discretionary Contributions shall be credited to the Participant's Discretionary Contribution Account as of the time designated by the Employer or the EDCP Committee. Discretionary Contributions may be subject to additional requirements, including vesting and withdrawal limitations (which shall be in addition to the withdrawal and distribution limitations of Articles Five (Withdrawals upon Unforeseeable Emergency) and Eight (Distribution Elections; Payment of Benefits), as established by the Company or the EDCP Committee. Any Discretionary Contributions made

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under this Section 4.4 shall be made in accordance with the requirements of Sections 409A(a)(2), (3) and (4) of the Code and the Treasury Regulations thereunder.

4.5 **2005 Contributions under the Caesars Plan.**

(a) **Caesars Base Compensation Deferral Contributions.** A Caesars Participant's "Base Compensation" (as defined in the Caesars Plan) deferred by such Caesars Participant for any payroll period of such Caesars Participant commencing on or after July 1, 2005 and before January 1, 2006 in accordance with Section 3.1(a) of the Caesars Plan shall be credited to such Caesars Participant's Deferral Contribution Account (and shall not be credited to such Caesars Participant's "Deferral Account" (as defined in the Caesars Plan) or the subaccounts thereunder).

(b) **Caesars Bonus Deferral Contributions.** A Caesars Participant's "Bonus Compensation" (as defined in the Caesars Plan) earned for services performed during 2005, and otherwise payable on or after July 1, 2005, and deferred in accordance with Section 3.2 of the Caesars Plan shall be credited to such Caesars Participant's Deferral Contribution Account (and shall not be credited to such Caesars Participant's "Deferral Account" (as defined in the Caesars Plan) or the subaccounts thereunder).

(c) **Caesars Matching Contributions.**

(1) **Base Compensation Company Contribution Amount.** A Caesars Participant's "Base Compensation Company Contribution Amount" (as defined in the Caesars Plan), if any, for any payroll period for such Caesars Participant commencing on or after July 1,

2005 and before January 1, 2006, determined in accordance with Section 4.2 of the Caesars Plan, shall be credited to such Caesars Participant's Caesars Company Contribution Account (and shall not be credited to such Caesars Participant's "Company Contribution Account" (as defined in the Caesars Plan) or the subaccounts thereunder).

(2) **Bonus Compensation Company Contribution Amount.** A Caesars Participant's "Bonus Compensation Company Contribution Amount" (as defined in the Caesars Plan), if any, with respect to such Caesars Participant's "Bonus Compensation" (as defined in the Caesars Plan) earned for services performed during 2005, and otherwise payable after July 1, 2005, and deferred under the Caesars Plan, determined in accordance with Section 4.2 of the Caesars Plan, shall be credited to such Caesars Participant's Caesars Company Contribution Account (and shall not be credited to such Caesars Participant's "Company Contribution Account" (as defined in the Caesars Plan) or the subaccounts thereunder).

4.6 Second Enhancement Contributions. If a Harrah's ESSP Participant becomes entitled to an "Enhancement Contribution" (as defined in the Harrah's ESSP) under Section 4.8(b) of the Harrah's ESSP on or after the Harrah's ESSP Second Transfer Date, such "Enhancement Contribution" shall be credited to such Harrah's ESSP Participant's Transferred Harrah's ESSP Deferral Contribution Account under this Plan (and shall not be credited to such

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Harrah's ESSP Participant's "Deferral Contribution Account" (as defined in the Harrah's ESSP) under the Harrah's ESSP or the subaccounts thereunder).

4.7 Transfers from Caesars Plan.

(a) (1) **Amounts to be Transferred.** Effective as of the Caesars Plan Transfer Date, in the case of a Caesars Participant, the amounts credited to such Caesars Participant's "Accounts" (as defined in the Caesars Plan) that are described in this Section 4.7 shall be transferred from such "Accounts" to such Caesars Participant's Transferred Caesars Deferral Account and Transferred Caesars Company Contribution Account, as provided in subsections (b), (c), (d) and (e). The amounts described in this Section 4.7 include compensation deferred by such Caesars Participant under the Caesars Plan during 2005, and matching contribution credits under the Caesars Plan related thereto, and amounts credited to such Caesars Participant's "Accounts" under the Caesars Plan as of December 31, 2004 that were not earned and vested as of December 31, 2004, in each case as adjusted for any earnings credited thereto or any losses debited therefrom under the Caesars Plan. The amounts transferred pursuant to Section 4.7 shall be debited from such Caesars Participant's "Accounts" under the Caesars Plan, and shall be credited to such Caesars Participant's Transferred Caesars Deferral Account and Transferred Caesars Company Contribution Account, as applicable, effective as of the Caesars Plan Transfer Date.

(2) **Grandfathered Amounts.** The amounts credited to such Caesars Participant's "Accounts" (as defined in the Caesars Plan) as of December 31, 2004 that were earned and vested as of December 31, 2004, as adjusted for any earnings credited thereto or any losses debited therefrom under the Caesars Plan, are not subject to Section 409A of the Code, and such amounts shall not be transferred from such Caesars Participant's "Accounts" under the Caesars Plan.

(b) **Caesars Base Compensation Deferral Contributions.** The Caesars Participant's "Base Compensation" (as defined in the Caesars Plan) deferred by such Caesars Participant for any payroll period of such Caesars Participant commencing on or after January 1, 2005 and commencing before July 1, 2005 in accordance with Section 3.1(a) of the Caesars Plan, as adjusted for any earnings credited thereto and any losses debited therefrom under the Caesars Plan, shall be transferred from such Caesars Participant's "Deferral Account" (as defined in the Caesars Plan) to such Caesars Participant's Transferred Caesars Deferral Account, effective as of the Caesars Plan Transfer Date.

(c) **Caesars Bonus Deferral Contributions.** The Caesars Participant's "Bonus Compensation" (as defined in the Caesars Plan) otherwise payable on or after January 1, 2005 and payable before July 1, 2005 and deferred by such Caesars Participant in accordance with Section 3.2(a) of the Caesars Plan, as adjusted for any earnings credited thereto and any losses debited therefrom under the Caesars Plan, shall be transferred from such Caesars Participant's "Deferral Account" (as defined in the Caesars Plan) to such Caesars Participant's Transferred Caesars Deferral Account, effective as of the Caesars Plan Transfer Date.

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(d) **Caesars Matching Contributions.** The Caesars Participant's "Base Compensation Company Contribution Amount" (as defined in the Caesars Plan) for any payroll period for such Caesars Participant commencing on or after January 1, 2005 and commencing before July 1, 2005, determined in accordance with Section 4.2(b) of the Caesars Plan, as adjusted for any earnings credited thereto and any losses debited therefrom under the Caesars Plan, and a Caesars Participant's "Bonus Compensation Company Contribution Amount" (as defined in the Caesars Plan) with respect to such Caesars Participant's "Bonus Compensation" (as defined in the Caesars Plan) otherwise payable after January 1, 2005 and deferred under the Caesars Plan, determined in accordance with Section 4.2(c) of the Caesars Plan, as adjusted for any earnings credited thereto and any losses debited therefrom under the Caesars Plan, shall be transferred from such Caesars Participant's "Company Contribution Account" (as defined in the Caesars Plan) to such Caesars Participant's Transferred Caesars Company Contribution Account, effective as of the Caesars Plan Transfer Date.

(e) **Non-Grandfathered Company Contribution Account Balances.** The portion of the amount credited to the Caesars Participant's "Company Contribution Account" (as defined in the Caesars Plan), determined as of December 31, 2004, that was not earned and vested for purposes of Section 409A of the Code, as of December 31, 2004, adjusted for any earnings credited thereto and losses debited therefrom under the Caesars Plan, shall be transferred from such Caesars Participant's "Company Contribution Account" (as defined in the Caesars Plan) to such Caesars Participant's Transferred Caesars Company Contribution Account, effective as of the Caesars Plan Transfer Date.

4.8 Transfers from Harrah's ESSP.

(a) (1) **First Amounts to be Transferred.** Effective as of the Harrah's ESSP First Transfer Date, in the case of a Harrah's ESSP Participant, the amount credited to such Harrah's ESSP Participant's "Matching Contribution Account" (as defined in the Harrah's ESSP) that is described in subsection (b) shall be transferred from such "Matching Contribution Account" to such Harrah's ESSP Participant's Transferred Harrah's ESSP Matching Account, as provided in subsection (b).

(2) **Second Amounts to be Transferred.** Effective as of the Harrah's ESSP Second Transfer Date, in the case of a Harrah's ESSP Participant, the amount credited to such Harrah's ESSP Participant's "Deferral Contribution Account" (as defined in the Harrah's ESSP) that is described in subsection (c) shall be transferred from such "Deferral Contribution Account" to such Harrah's ESSP Participant's Transferred Harrah's ESSP Deferral Contribution Account, as provided in subsection (c).

(3) **Transferred Amounts.** The amounts described in this Section 4.8 include amounts credited to such Harrah's ESSP Participant's "Accounts" under the Harrah's ESSP as of December 31, 2004 that were not earned and vested as of December 31, 2004, as adjusted for any earnings credited thereto or any losses debited therefrom under the Harrah's ESSP, and amounts credited under the Harrah's ESSP after December 31, 2004, as adjusted for any earnings credited thereto or any losses debited

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therefrom under the Harrah's ESSP. The amounts transferred pursuant to this Section 4.8 shall be debited from such Harrah's ESSP Participant's "Accounts" under the Harrah's ESSP, and shall be credited to such Harrah's ESSP Participant's Transferred Harrah's ESSP Accounts, effective as of Harrah's ESSP First Transfer Date, or the Harrah's ESSP Second Transfer Date, as applicable.

(4) **Grandfathered Amounts.** The amounts credited to such Harrah's ESSP Participant's "Accounts" (as defined in the Harrah's ESSP) as of December 31, 2004 that were earned and vested as of December 31, 2004, as adjusted for any earnings credited thereto or any losses therefrom under the Harrah's ESSP, are not subject to Section 409A of the Code, and such amounts shall not be transferred from such Harrah's ESSP Participant's "Accounts" under the Harrah's ESSP.

(b) **Harrah's ESSP Matching Contributions.** In the event that all or any portion of a Harrah's ESSP Participant's "Matching Contribution Account" (as defined in the Harrah's ESSP) was not fully vested as of December 31, 2004 under the Harrah's ESSP, the portion of the total balance in such Harrah's ESSP Participant's "Matching Contribution Account" (as defined in the Harrah's ESSP) that was not vested as of December 31, 2004 under the Harrah's ESSP, as adjusted for any earnings credited thereto or any losses debited therefrom under the Harrah's ESSP, shall be transferred from such Harrah's ESSP Participant's "Matching Contribution Account" (as defined in the Harrah's ESSP) to such Harrah's ESSP Participant's Transferred Harrah's ESSP Matching Contribution Account, effective as of the Harrah's ESSP First Transfer Date. The portion of the balance in such Harrah's ESSP Participant's "Matching Contribution Account" that was vested as of December 31, 2004, as adjusted for any earnings credited thereto or any losses debited therefrom under the Harrah's ESSP, shall not be transferred and shall remain credited to such Harrah's ESSP Participant's "Matching Contribution Account."

(c) **Harrah's ESSP Bonus Deferral Contributions.** The Harrah's ESSP Participant's "Bonus" (as defined in the Harrah's ESSP) earned by such Harrah's ESSP Participant during the 2004 "Deferral Period" (as defined in the Harrah's ESSP), and otherwise payable after December 31, 2004, and deferred by such Harrah's ESSP Participant in accordance with Section 4.1(b) of the Harrah's ESSP, as adjusted for any earnings credited thereto or any losses debited therefrom under the Harrah's ESSP, shall be transferred from such Harrah's ESSP Participant's "Deferral Contribution Account" (as defined in the Harrah's ESSP) to such Harrah's ESSP Participant's Transferred Harrah's ESSP Deferral Contribution Account, effective as of the Harrah's ESSP Second Transfer Date.

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ARTICLE FIVE **WITHDRAWALS UPON UNFORESEEABLE EMERGENCY**

5.1 Unforeseeable Emergency Withdrawals.

(a) **General.**

(1) A Participant may elect to receive a withdrawal from his or her Accounts upon the occurrence of an Unforeseeable Emergency. Such Participant may elect to receive a withdrawal by completing and delivering an election with the EDCP Committee in accordance with the uniform procedures promulgated by the EDCP Committee.

(2) The election to receive a withdrawal upon the occurrence of an Unforeseeable Emergency by a Participant who is entitled to a distribution under Article Eight (**Distribution Elections; Payment of Benefits**) shall override the distribution election in effect for such Participant under Article Eight with respect to the amount to be withdrawn, both as to form of payment and timing of payment. If installment payments to such Participant have begun at the time an election for a withdrawal upon the occurrence of an Unforeseeable Emergency is made, the election shall apply only with respect to the unpaid balance of such Participant's Accounts.

(3) The amount to be distributed to a Participant who elects a withdrawal upon the occurrence of an Unforeseeable Emergency shall not exceed the amounts necessary to satisfy such Unforeseeable Emergency, plus amounts necessary to pay taxes reasonably anticipated as a result of the withdrawal, after taking into account the extent to which such Unforeseeable Emergency is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship), as determined by the EDCP Committee in accordance with Section 409A(a)(2)(B)(ii)(II) of the Code and the Treasury Regulations thereunder.

(4) For purposes of this Section 5.1, “Unforeseeable Emergency” with respect to a Participant shall mean a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant’s spouse, or a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant’s property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, as determined by the EDCP Committee in accordance with Section 409A(a)(2)(B)(ii)(I) of the Code and the Treasury Regulations thereunder.

(5) For purposes of determining the amount to be distributed to such Participant, the Participant’s Accounts shall be valued as of the Valuation Date immediately preceding the date the withdrawal election is approved by the EDCP Committee. The amount to be distributed to a Participant who elects a withdrawal upon the occurrence of an Unforeseeable Emergency shall not exceed such Participant’s vested interest in his or her Accounts. The Participant’s vested interest in his or her Matching Contribution Account and Discretionary Contribution Account shall be determined as of the Valuation Date immediately preceding the date the withdrawal election is approved by the EDCP Committee.

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(6) The amount to be distributed to the Participant pursuant to such Participant’s election to receive a withdrawal upon the occurrence of Unforeseeable Emergency shall be paid in a lump sum payment within thirty (30) days following the approval of the Participant’s withdrawal election by the EDCP Committee.

(b) **Suspension of Participation.** If a Participant receives a withdrawal upon the occurrence of Unforeseeable Emergency, the Participant’s Deferral Contributions to the Plan shall be suspended for the remainder of the Deferral Period during which the withdrawal is distributed to the Participant, to the extent required under Section 409A(a)(2)(B)(ii) of the Code and the Treasury Regulations thereunder. Upon expiration of the suspension period described in the preceding sentence, the Participant shall be permitted to submit a new Participation Agreement in accordance with Section 3.2 (Participation Agreement) and to begin making Deferral Contributions with respect to Compensation earned on or after the first day of the first payroll period of the next following Deferral Period.

5.2 **Account Adjustments.** A Participant’s withdrawal upon the occurrence of Unforeseeable Emergency shall be charged on a pro rata basis to the Participant’s vested interests in the subaccounts in such Participant’s Accounts.

ARTICLE SIX **CREDITING OF CONTRIBUTIONS AND INCOME**

6.1 **Account Allocations.** All Deferral Contributions shall be credited to the Participant’s Deferral Contribution Account. All Matching Contributions shall be credited to the Participant’s Matching Contribution Account, and all Discretionary Contributions shall be credited to the Participant’s Discretionary Contribution Account. With respect to a Caesars Participant, all deferral contributions under Sections 4.5(a) and (b) shall be credited to the Caesars Participant’s Deferral Contribution Account, and all matching contributions under Section 4.5(c) shall be credited to such Caesars Participant’s Caesars Company Contribution Account, and all special Matching Contributions under Section 4.2(c) shall be credited to such Caesars Participant’s Caesars Company Contribution Account or Matching Contribution Account, as provided therein. All credits and charges to all Participants’ Accounts shall be done in accordance with the policies and procedures of the EDCP Committee. All transfers to payments from and charges against an Account shall be charged against the Account as of the Valuation Date on which the transaction occurs. The Accounts are bookkeeping accounts only, and the EDCP Committee is not in any way obligated to segregate assets for the benefit of any Participant.

6.2 **Subaccounts.** The EDCP Committee may divide any Account into such subaccounts as it deems necessary and desirable.

6.3 **Hypothetical Investment Funds.** The EDCP Investment Committee shall establish a series of hypothetical Investment Funds for use pursuant to this Article Six.

6.4 **Investment Direction.** A Participant shall direct the hypothetical investment of his Deferral Contribution Account, Matching Contribution Account, and Discretionary Contribution Account (and, in the case of a Harrah’s ESSP Participant, his or her Transferred

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Harrah’s ESSP Accounts (if any), and, in the case of a Caesars Participant, his or her Caesars Company Contribution Account and Transferred Caesars Accounts (if any)) among the Investment Funds in the manner (including, but not limited to, writing, electronic, internet, intranet, voice response or telephonic) established by the EDCP Committee. The Participant’s Deferral Contribution Account, Matching Contribution Account, and Discretionary Contribution Account (and Transferred Harrah’s ESSP Accounts (if any), and Caesars Company Contribution Account and Transferred Caesars Accounts (if any)) shall not be invested in the Investment Funds, but the value of the Participant’s Accounts shall be measured by the performance of the Investment Funds selected. Any and all changes to a Participant’s Investment Fund allocation shall be made in accordance with the uniform procedures of the EDCP Committee, which shall permit changes in Investment Fund allocations on a quarterly or more frequent basis. Notwithstanding the foregoing provisions of this Section 6.4, the EDCP Investment Committee may retain the overriding discretion regarding the Participant’s selection of Investment Funds under this Section 6.4. If a Participant fails to direct the hypothetical investment of his or her Accounts in the manner established by the EDCP Committee, the Participant shall be deemed to have selected the default hypothetical Investment Fund(s) selected by the EDCP Investment Committee for such purpose, in the discretion of the EDCP Committee and in accordance with its uniform policies and procedures.

6.5 **Rate of Return.** A Participant’s Accounts shall be adjusted on each Valuation Date to reflect investment gains and losses as if the Accounts were invested in the hypothetical Investment Funds selected by the Participant in accordance with Section 6.4 (Investment Direction) and charged with any and all reasonable expenses related to the administration of the Plan including, but not limited to, the reasonable expenses of carrying out the hypothetical investment directions related to each Account. The earnings and losses allocated to any Account shall be allocated among the subaccounts of

that Account in the same manner. The earnings and losses determined by the EDCP Investment Committee in good faith and in its discretion pursuant to this Article Six shall be binding and conclusive on the Participant, the Participant's Beneficiary and all parties claiming through them.

6.6 Application to Beneficiaries. The provisions of this Article Six shall also apply to the Beneficiaries of a deceased Participant.

6.7 EDCP Investment Committee.

(a) Membership. The EDCP Investment Committee shall be appointed by action of the HRC. The EDCP Investment Committee members shall serve without compensation but shall be reimbursed for all expenses by the Company. The EDCP Investment Committee shall conduct itself in accordance with the provisions of this Section. The members of the EDCP Investment Committee may resign with thirty (30) days notice in writing to the Company and may be removed immediately at any time by written notice from the HRC. The EDCP Investment Committee may have duties with respect to other plans of the Company that are similar or identical to its duties under the Plan.

(b) Appointment of Agents. The EDCP Investment Committee may appoint such other agents, who need not be members of the EDCP Investment

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Committee, as it may deem necessary for the effective performance of its duties, whether ministerial or discretionary, as the EDCP Investment Committee may deem expedient or appropriate. The compensation of any agents who are not employees of the Company shall be fixed by the committee within any limitations set by the HRC.

(c) Majority Vote. On all matters, questions and decisions, the action of the EDCP Investment Committee shall be determined by a majority vote of its members. They may meet informally or take any ordinary action without the necessity of meeting as a group. All instruments executed by the EDCP Investment Committee shall be executed by a majority of its members or by any member of the EDCP Investment Committee designated to act on its behalf.

(d) Allocation of Responsibilities. The EDCP Investment Committee may allocate responsibilities among its members or designate other persons to act on its behalf. Any allocation or designation, however, must be set forth in writing and must be retained in the permanent records of the EDCP Investment Committee.

(e) Indemnification. The Company shall indemnify and hold harmless the members of the EDCP Investment Committee against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to this Plan on account of such member's service on the EDCP Investment Committee, except in the case of gross negligence or willful misconduct.

ARTICLE SEVEN **VESTING**

7.1 Vesting of Accounts.

(a) Deferral Contributions. Each Participant shall at all times have a fully vested interest in his or her Deferral Contribution Account, his or her Transferred Caesars Deferral Account (if any), and his or her Transferred Harrah's ESSP Deferral Contribution Account (if any), and a Participant's rights and interests therein shall not be forfeitable for any reason.

(b) Matching Contributions.

(1) Full Vesting. Each Participant shall have a fully vested interest in his or her Matching Contribution Account on and after the first to occur of the following events:

- (A)** the Participant's attainment of age 60;
- (B)** the Participant's date of death;
- (C)** the Participant's Disability;
- (D)** a Change of Control;

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- (E)** termination of the Plan; or
 - (F)** the completion of five Years of Vesting Service.

(2) Vesting Schedule. If a Participant terminates employment with an Employer at a time when the Participant does not have a fully vested interest in his or her Matching Contribution Account, the Participant's vested interest shall be determined in accordance with the applicable vesting schedule for matching contributions in effect under the Savings and Retirement Plan in which such Participant was last eligible to make 401(k) Contributions.

(3) **Forfeiture.** A Participant's vested interest in his or her Matching Contribution Account shall be determined as of the Valuation Date immediately preceding his or her termination of employment with the Company and all Affiliates. Any portion of a Participant's Matching Contribution Account which is not vested shall be forfeited in the first Deferral Period in which his or her termination of employment with the Company and all Affiliates occurs.

(c) **Discretionary Contributions.** Except as provided by the Employer or EDCP Committee at the time a Discretionary Contribution is made, each Participant shall vest in his or her Discretionary Contribution Account in the same manner he or she vests in his or her Matching Contribution Account. A Participant's vested interest in his or her Discretionary Contribution Account shall be determined as of the Valuation Date immediately preceding his or her termination of employment with the Company and all Affiliates. Any portion of a Participant's Discretionary Contribution Account which is not vested shall be forfeited in the first Deferral Period in which his or her termination of employment with the Company and all Affiliates occurs.

(d) **Caesars Company Contribution Accounts and Transferred Caesars Company Contribution Accounts.** Each Caesars Participant shall have a vested interest in his or her Caesars Company Contribution Account and Transferred Caesars Company Contribution Account, which is determined as follows:

(1) **Vesting of Caesars Company Contribution Accounts.**

(A) **Vesting Schedule.** A Caesars Participant shall vest in the "Base Compensation Company Contribution Amount" under Section 4.5(c)(1), the "Bonus Compensation Company Contribution Amount" under Section 4.5(c)(2) and the special Matching Contributions under Sections 4.2(c)(1)(A) and (B) (if any) (collectively, the "Caesars Company Contribution Amount") that are credited to the Caesars Participant's Caesars Company Contribution Account in a Plan Year (plus investment gains and losses thereon under Article Six), upon completion of the applicable vesting period for such portion of the Caesars Company Contribution Account. The vesting period for the Caesars Participant's Caesars Company Contribution Account shall commence with the Plan Year in which the Caesars Company Contribution Amount is credited under Section 4.5(c) or Sections 4.2(c)(1)(A) and (B), as applicable, with the Caesars Participant

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vesting in: (I) 33 1/3% of the Caesars Company Contribution Amount upon being credited with a "Year of Vesting Service" (as defined in the Caesars Plan) for the Plan Year for which such Caesars Company Contribution Amount is credited, (II) 33 1/3% of the Caesars Company Contribution Amount upon being credited with a "Year of Vesting Service" for the immediately following Plan Year, and (III) 33 1/3% of the Caesars Company Contribution Amount upon being credited with a "Year of Vesting Service" for the next following Plan Year.

(B) **Accelerated Vesting.** Notwithstanding paragraph (1), a Caesars Participant's Caesars Company Contribution Account shall become fully vested should: (I) the Caesars Participant die while employed by the Company or an Affiliate, (II) the Caesars Participant become "Disabled" (as defined in the Caesars Plan) while employed by the Company or an Affiliate, or (III) there occur a "Change of Control." If a Caesars Participant retires on or after attaining age 55 and does not become employed by a "Competitor" (as defined in the Caesars Plan) during the six month period immediately following his or her retirement (the "Six Month Period"), such Caesars Participant's Caesars Company Contribution Account shall become fully vested upon the completion of the Six Month Period (irrespective of the form of distribution elected by the Caesars Participant) and such Caesars Participant shall receive or commence to receive the distribution of the amount credited to his or her Caesars Company Contribution Account that becomes vested under this subparagraph in accordance with subparagraph (D).

(C) **Forfeiture.**

(I) If a Caesars Participant who is not fully vested in his or her Caesars Company Contribution Account retires on or after attaining age 55 and becomes employed by a "Competitor" during the Six Month Period, the portion of such Caesars Participant's Caesars Company Contribution Account which is not vested shall immediately be forever forfeited and the Company and the Affiliates shall have no obligation to the Caesars Participant (or his or her Beneficiary) with respect to such forfeited amount.

(II) Subject to subparagraph (B) and clause (I) of this subparagraph, if a Caesars Participant who is not fully vested in his or her Caesars Company Contribution Account receives or commences to receive the distribution of the amount credited to his or her Caesars Company Contribution Account, the portion of such Caesars Participant's Caesars Company Contribution Account which is not vested shall immediately be forever forfeited and the Company and the Affiliates shall have no obligation to the Caesars Participant (or his or her Beneficiary) with respect to such forfeited amount.

(D) **Special Distribution.** If a Caesars Participant becomes fully vested in his or her Caesars Company Contribution Account under

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subparagraph (B) on account of such Caesars Participant's retirement on or after attaining age 55, then, notwithstanding Article Eight, such Caesars Participant shall receive or commence to receive the distribution of the amount credited to his or her Caesars Company Contribution Account that becomes vested under subparagraph (B) as soon as administratively feasible following the completion of the Six Month Period which follows such Participant's retirement, in form of distribution elected under his or her Separation from Service Election or Distribution Year Election under Section 3.2(b).

(2) **Vesting of Transferred Caesars Company Contribution Account.** Each Caesars Participant shall at all times have a full vested interest in his or her Transferred Caesars Company Contribution Account, and a Caesars Participant's rights and interests therein shall not be forfeitable for any reason.

(e) **Transferred Harrah's ESSP Matching Contribution Account.** Each Harrah's ESSP Participant shall have a vested interest in his or her Transferred Harrah's ESSP Matching Contribution Account, which is determined as follows:

(1) **Full Vesting.** Each Participant shall have a fully vested interest in his Transferred Harrah's ESSP Matching Contribution Account on and after the first to occur of the following events:

- (A) the Participant's attainment of age 60;
- (B) the Participant's date of death;
- (C) the Participant's Disability;
- (D) a Change of Control;
- (E) termination of the Plan; or
- (F) the completion of five Years of Vesting Service.

(2) **Vesting Schedule.** If a Harrah's ESSP Participant terminates service with an Employer at a time when the Harrah's ESSP Participant does not have a fully vested interest in his Transferred Harrah's ESSP Matching Contribution Account, the Harrah's ESSP Participant's vested interest shall be determined as follows: (A) the excess, if any, of (I) the percentage determined in accordance with the applicable vesting schedule for matching contributions in effect under the Savings and Retirement Plan, over (II) the Transfer Vested Percentage, divided by (B) the Transfer Unvested Percentage. As of the Harrah's ESSP First Transfer Date, the vesting schedule under the Savings and Retirement Plan is as follows:

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<u>Completed Years of Vesting Service</u>	<u>Percentage Vested</u>
Less than 1	0%
1 but less than 2	20%
2 but less than 3	40%
3 but less than 4	60%
4 but less than 5	80%
5 or more	100%.

For purposes of this paragraph (2), a Harrah's ESSP Participant's "Transfer Vested Percentage" shall mean his or her vested interest percentage in his or her "Matching Contribution Account" (as defined in the Harrah's ESSP), determined as of December 31, 2004, and a Harrah's ESSP Participant's "Transfer Unvested Percentage" shall mean 100%, less his or her "Transfer Vested Percentage".

(3) A Harrah's ESSP Participant's vested interest in his Transferred Harrah's ESSP Matching Contribution Account shall be determined as of the Valuation Date immediately preceding the first distribution to the Harrah's ESSP Participant from his Transferred Harrah's ESSP Matching Contribution Account following his Separation from Service. Any portion of a Harrah's ESSP Participant's Transferred Harrah's ESSP Matching Contribution Account which is not vested shall be forfeited in the first Deferral Period in which the Harrah's ESSP Participant or his Beneficiary receives a distribution from this Plan under Article Eight.

7.2 **Changes in Vesting Schedule.** In the event that an amendment to this Plan or the Savings and Retirement Plan directly or indirectly changes the vesting provisions of Section 7.1 (**Vesting of Benefits**), the vested percentage for each Participant in his or her benefit accumulated to the date when the amendment is adopted shall not be reduced as a result of the amendment.

ARTICLE EIGHT **DISTRIBUTION ELECTIONS; PAYMENT OF BENEFITS**

8.1 **Distribution Elections.** A Participant shall make, in his or her Participation Agreement with respect to a Deferral Period, either: a Separation from Service Election under subsection (b), or a Distribution Year Election under subsection (c). Such Separation from Service Election or Distribution Year Election shall apply to the distribution of the subaccounts of such Participant's Account to which his or her Deferral Contributions, Matching Contributions and Discretionary Contributions for such Deferral Period are credited. In the case of a Caesars Participant, a special Separation from Service Election shall apply with respect to the distribution of such Caesars Participant's Transferred Caesars Accounts, as provided in subsection (e). In the case of a Harrah's ESSP Participant, a special Separation from Service Election shall apply with respect to the distribution of such Harrah's ESSP Participant's Transferred Harrah's ESSP Accounts, as provided in subsection (f).

(a) **Subaccounts.** A Participant's Deferral Contributions for a Deferral Period (and, in the case of a Caesars Participant, such Caesars Participant's deferral contributions

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under Sections 4.5(a) and (b) for the Deferral Period) shall be credited to the subaccount for such Deferral Period under such Participant's Deferral Contribution Account. Such Participant's Matching Contributions for a Deferral Period (if any) shall be credited to the subaccount for such Deferral Period under such Participant's Matching Contribution Account. Such Participant's Discretionary Contributions for a Deferral Period (if any) shall be credited to the subaccount for such Deferral Period under such Participant's Discretionary Contribution Account. Such Participant's Separation from Service Election or Distribution Year Election for such Deferral Period shall apply to distributions from the subaccounts of such Participant's Accounts for such Deferral Period.

(b) **Separation from Service Election.** Subject to Section 8.3 (**Time of Payment**), a Participant's Separation from Service Election with respect to a Deferral Period shall provide for the distribution of the subaccounts of such Participant's Accounts for such Deferral Period upon such Participant's Separation from Service.

(1) **Form of Distribution.** Such Participant may select the form of distribution for purposes of distributions from the subaccounts of such Participant's Accounts for such Deferral Period. Such Participant may select distribution in the form of a lump sum payment, or monthly installment payments over a period of years. If such Participant selects distribution in the form of monthly installment payments, such Participant shall designate the period of years (which shall be not less than one and not more than fifteen (15)) over which such monthly installment payments shall be made. If such Participant fails to select a form of distribution for purposes of distributions from the subaccounts of such Participant's Accounts for a Deferral Period, such distributions shall be made in a lump sum payment.

(2) **Prohibition on Change of Separation from Service Election.** Such Participant may not change his or her Separation from Service Election with respect to a Deferral Period, or the form of distribution of the subaccounts of such Participant's Accounts for such Deferral Period. As provided in Section 3.2 and subsection (d), such Participant may elect a new Separation from Service Election with respect to a future Deferral Period in accordance with this Section 8.1.

(c) **Distribution Year Election.** Subject to Section 8.2 (**Changes of Distribution Year Election**) and Section 8.3 (**Time of Payment**), a Participant's Distribution Year Election with respect to a Deferral Period shall provide for the distribution of the subaccounts of such Participant's Accounts for such Deferral Period upon the earlier of: the first day of the Distribution Year (as selected by the Participant), or the Participant's Separation from Service.

(1) **Distribution Year.** Such Participant shall select the Distribution Year for purposes of distributions from the subaccounts of such Participant's Accounts for a Deferral Period. The Distribution Year shall be not earlier than the second calendar year following the Deferral Period, and shall be not later than the twentieth calendar year following the Deferral Period.

(2) **Form of Distribution.** The distribution of the subaccounts of such Participant's Accounts for such Deferral Period shall be made in a lump sum payment.

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(3) **Change to Distribution Year Election.** A Participant may change such Participant's Distribution Year Election with respect to a Deferral Period in accordance with Section 8.2.

(d) **Separate Elections.** A Participant may make a separate Separation of Service Election or Distribution Year Election with respect to each Deferral Period.

(e) **Distribution of Transferred Caesars Accounts.** A Caesars Participant's Transferred Caesars Accounts shall be distributed upon such Participant's Separation from Service in accordance with this subsection (e), and shall not be distributed in accordance with such Caesars Participant's Separation from Service Election with respect to any Deferral Period. Such distribution shall be made commencing upon such Caesars Participant's Separation from Service, except as otherwise provided under Section 8.3(b). Such Caesars Participant may not make a Distribution Year Election with respect to his or her Transferred Caesars Accounts.

(1) **Form of Distribution.** Such Caesars Participant's Transferred Caesars Accounts shall be distributed in the form of distribution elected by such Caesars Participant for the distribution of his or her "Accounts" (as defined in the Caesars Plan), in accordance with the Caesars Plan, as in effect as of the Caesars Plan Transfer Date. Such distribution form shall be a lump sum payment, or installment payments over a period of five, ten or fifteen years. If such Caesars Participant's Transferred Caesars Accounts are to be distributed in the form of installment payments, such distribution shall be made in the form of monthly installment payments; provided, however, that, if such Caesars Participant's Transferred Caesars Accounts are to be distributed commencing in 2006, the first installment payment shall be determined on the basis of annual installment payments, as provided in accordance with the Caesars Plan (and in accordance with the transition relief under Q/A 19(c) of Internal Revenue Service Notice 2005-1), and monthly installment payments from such Caesars Participant's Transferred Caesars Accounts shall commence on January 1, 2007. If such Caesars Participant has failed to select a form of distribution for purposes of the distribution of his or her "Accounts" (as defined in the Caesars Plan), in accordance with the Caesars Plan, as of the Caesars Plan Transfer Date, such Caesars Participant's Transferred Caesars Accounts shall be distributed in the form of a lump sum payment. The distribution of such Caesars Participant's Transferred Caesars Accounts shall be made in accordance with Sections 8.3 and 8.4.

(2) **Prohibition on Change of Separation from Service Election.** Such Caesars Participant may not change his or her special Separation from Service Election applicable to the distribution of his or her Transferred Caesars Accounts, or the form of distribution of such Transferred Caesars Accounts.

(f) **Distribution of Transferred Harrah's ESSP Accounts.** A Harrah's ESSP Participant's Transferred Harrah's ESSP Accounts shall be distributed upon such Participant's Separation from Service in accordance with this subsection (f), and shall not be distributed in accordance with such Harrah's ESSP Participant's Separation from Service Election with respect to any Deferral Period. Such distribution shall be made commencing upon such Harrah's ESSP Participant's Separation from Service, except as otherwise provided under

Section 8.3(b). Such Harrah's ESSP Participant may not make a Distribution Year Election with respect to his or her Transferred Harrah's ESSP Accounts.

(1) **Form of Distribution.** Such Harrah's ESSP Participant's Transferred Harrah's ESSP Matching Contribution Account shall be distributed in the form of distribution elected by such Harrah's ESSP Participant for the distribution of his or her "Accounts" (as defined in the Harrah's ESSP), in accordance with the Harrah's ESSP, as in effect as of the Harrah's ESSP First Transfer Date. The distribution of such Harrah's ESSP Participant's Transferred Harrah's ESSP Deferral Contribution Account shall be made in accordance with Sections 8.3 and 8.4.

(2) **Form of Distribution.** Such Harrah's ESSP Participant's Transferred Harrah's ESSP Deferral Contribution Account shall be distributed in the form of distribution elected by such Harrah's ESSP Participant for the distribution of his or her "Accounts" (as defined in the Harrah's ESSP), in accordance with the Harrah's ESSP, as in effect as of the Harrah's ESSP Second Transfer Date. The distribution of such Harrah's ESSP Participant's Transferred Harrah's ESSP Deferral Contribution Account shall be made in accordance with Sections 8.3 and 8.4.

(3) **Prohibition on Change of Separation from Service Election.** Such Harrah's ESSP Participant may not change his or her special Separation from Service Election applicable to the distribution of his or her Transferred Harrah's ESSP Accounts, or the form of distribution of such Transferred Harrah's ESSP Accounts.

8.2 **Changes of Distribution Year Election.**

(a) **Election to Change Distribution Selections.** A Participant may change a Distribution Year Election with respect to a Deferral Period (as set forth in such Participant's Participation Agreement in effect for such Deferral Period), following the commencement of such Deferral Period, in accordance with this Section 8.2. Such Participant shall complete and deliver an election to change his or her Distribution Year Election with respect to a Deferral Period in accordance with the rules and procedures adopted by the EDCP Committee for such purpose.

(b) **Change of Distribution Year.**

(1) Such Participant may make a new Distribution Year Election with respect to a Deferral Period for purposes of such distributions of the subaccounts of such Participant's Accounts for such Deferral Period by electing a new Distribution Year that is not less than five years later than the Distribution Year previously selected by such Participant under the prior Distribution Year Election with respect to such Deferral Period; *provided, however*, that the new Distribution Year shall not be later than the twentieth calendar year following such Deferral Period.

(2) In the event a Participant makes a new Distribution Year Election with respect to a Deferral Period, and such new Distribution Year Election becomes effective, the distribution of the subaccounts of Participant's Accounts for such Deferral Period shall be

made upon the earlier of: (A) the first day of the new Distribution Year, or (B) the fifth anniversary of such Participant's Separation from Service.

(c) **Additional Changes.** A Participant may make subsequent new Distribution Year Elections with respect to a Deferral Period, subject to the requirements of paragraph (b)(1) and subsection (d), and the distribution of the subaccounts of such Participant's Accounts for such Deferral Period shall be made upon the earlier of: (A) the new Distribution Year (selected by the Participant), or (B) five years later than then date such distribution would have been made in the event of such Participant's Separation from Service under the Participant's next preceding Distribution Year Election.

(d) **Limitations on Distribution Changes.** A Participant may not change his or her Separation from Service Election with respect to a Deferral Period. A Participant may change his or her Distribution Year Election applicable to the subaccounts of such Participant's Accounts for a Deferral Period in accordance with subsection (b), subject to this subsection (d). A Participant's new Distribution Year Election shall be subject to the following limitations:

(1) The Participant's election of a new Distribution Year Election applicable to the subaccounts of such Participant's Accounts for a Deferral Period shall not take effect until at least twelve (12) months after the new Distribution Year Election is made in accordance with Section 409A(a)(4)(C)(i) of the Code and the Treasury Regulations thereunder. If the distribution from the subaccounts of such Participant's Accounts for such Deferral Period is made before the new Distribution Year Election becomes effective, the new Distribution Year Election shall not thereafter become effective, and the distribution from the subaccounts of such Participant's Accounts for such Deferral Period shall be made in accordance with the Distribution Year Election, as in effect prior to the new Distribution Year Election.

(2) The Participant's election of a new Distribution Year, in accordance with subsection (b) or (c) for the subaccounts of such Participant's Accounts for a Deferral Period shall provide that each payment with respect to which such new Distribution Year Election is made be deferred for a period of not less than five years from the date such payment would otherwise have been made, as determined in accordance with Section 409A(a)(4)(C)(ii) of the Code and the Treasury Regulations thereunder.

(3) The Participant's election of a new Distribution Year Election in accordance with subsection (b) or (c) for the subaccounts of such Participant's Accounts for a Deferral Period shall not be made less than twelve (12) months prior to the date of the first scheduled distribution payment under the Distribution Year Election in effect for the subaccounts of such Participant's Accounts for such Deferral Period in accordance with Section 409A(a)(4)(C)(iii) of the Code and the Treasury Regulations thereunder.

(e) **Compliance with Section 409A of the Code.** Any change to a Participant's Distribution Year Election shall be made in accordance with Section 409A(a)(4)(C) of the Code and the Treasury Regulations thereunder.

8.3 Time of Payment.

(a) A Participant's Accounts shall be distributed in accordance with the Separation from Service Election or Distribution Year Election for the subaccounts of such Participant's Accounts for each Deferral Period; *provided, however*, that, in the case of a Caesars Participant, such Caesars Participant's Transferred Caesars Accounts shall be distributed in accordance with the special Separation from Service Election, as provided under Section 8.1(e); and, *provided, further*, that in the case of a Harrah's ESSP Participant, such Harrah's ESSP Participant's Transferred Harrah's ESSP Accounts shall be distributed in accordance with the special Separation from Service Election, as provided under Section 8.1(f).

(b) The distributions from the subaccounts of a Participant's Accounts for a Deferral Period shall be made or commence upon the earliest of:

- (1) the first day of the Distribution Year (if any) selected by such Participant (in the case of subaccounts subject to such Participant's Distribution Year Election), or
- (2) the Participant's Separation from Service (or such later date is determined under Sections 8.2(b), (c) and (d)); or
- (3) the Participant's death;

provided, however, that, in the case of a Participant who is a Specified Employee, the distributions of the subaccounts of such Participant's Accounts for such Deferral Period shall not be made before the date which is six months after the date of such Participant's Separation from Service (or, if earlier, the date of such Participant's death) in accordance with Section 409A(a)(2)(B)(i) of the Code and the Treasury Regulations thereunder.

(c) Subject to subsection (d), if the subaccounts of a Participant's Accounts for any Deferral Period are to be distributed in the form of monthly installment payments, and such Participant is a Specified Employee as of the date of such Participant's Separation from Service, the monthly installment payments that otherwise would be made to such Participant prior to the date which is six months after the date of such Participant's Separation from Service (or, if earlier, the date of such Participant's death) shall be accumulated in the subaccounts of such Participant's Accounts for such Deferral Period and paid after such date in accordance with Section 409A(a)(2)(B)(i) of the Code and the Treasury Regulations thereunder, as adjusted to reflect the rate of return on the hypothetical Investment Funds selected by the Participant in accordance with Section 6.4. The subaccounts of such Participant's Accounts for such Deferral Period shall be distributed in installment payments, commencing after the date which is six months after the date of such Participant's Separation from Service (or, if earlier, the date of such Participant's death), over the installment payment period designated under the Separation from Service Election for the subaccounts of such Participant's Accounts for the Deferral Period.

(d) In the case of a Participant who was a Specified Employee as of the date of such Participant's Separation from Service, and whose monthly installment payments commenced during 2005 in accordance with Section 8.3 of the Plan, monthly installment

payments shall be paid during 2005 in accordance with the transitional relief under Internal Revenue Service Notice 2005 Q/A 20, and such monthly installments shall be suspended effective as of January 1, 2006 and until the date which is six months after the date of such Participant's Separation from Service in accordance with Section 409A(a)(2)(B)(i) of the Code and the Treasury Regulations thereunder and recommenced after the date which was six months after the date of such Participant's Separation from Service (or, if earlier, the date of such Participant's death). Any monthly installment payments subject to such suspension shall be accumulated and paid after such date in accordance with Section 409A(a)(2)(B)(i) of the Code and the Treasury Regulations thereunder, as adjusted to reflect the rate of return on the hypothetical Investment Funds selected by the Participant in accordance with Section 6.4. The subaccounts of such Participant's Accounts for such Deferral Period shall be distributed in installment payments, commencing after the date which is six months after the date of such Participant's Separation from Service (or, if earlier, the date of such Participant's death), over the installment payment period designated under the Separation from Service Election for the subaccounts of such Participant's Accounts for the Deferral Period.

8.4 Form of Payments

(a) **Separation from Service Election Payments.** In the event a Participant made a Separation from Service Election with respect to a Deferral Period, the distribution from the subaccounts in such Participant's Accounts for such Deferral Period shall be made in a lump sum payment, or in monthly installment payments, in accordance with Section 8.1 (Distribution Elections); *provided, however*, that, in the case of a Caesars Participant, such Caesars Participant's Transferred Caesars Accounts shall be distributed in accordance with the special Separation from Service Election, as provided under Section 8.1(e); and, *provided, further*, that in the case of a Harrah's ESSP Participant, such Harrah's ESSP Participant's Transferred Harrah's ESSP Accounts shall be distributed in accordance with the special Separation from Service Election, as provided under Section 8.1(f).

(b) **Distribution Year Election Payment.** In the event a Participant made a Distribution Year Election with respect to a Deferral Period, the distribution from the subaccounts in such Participant's Accounts for such Deferral Period shall be made to such Participant in a lump sum payment. Such lump sum payment shall be made not later than sixty (60) days after the date determined under Section 8.3(b).

(c) **Payments upon Death.**

(1) In the event of a Participant's death prior to such Participant's Separation from Service, the distributions from the subaccounts of such Participant's Accounts for all Deferral Periods shall be made to his or her Beneficiary in a lump sum payment. Such lump sum payment shall be made not later than sixty (60) days after the date determined under Section 8.3(b).

(2) In the event of a Participant's death after his or her Separation from Service, the distributions from the subaccounts of such Participant's Accounts shall be made or continue to be made to his or her Beneficiary in accordance with the Participant's

Separation from Service Election or Distribution Year Election in accordance with Sections 8.1 and 8.2, and distribution payments shall be made to the Beneficiary in the same form as such distribution payments would have been made to such Participant.

(d) **Installment Payments.**

(1) In the event a Participant makes a Separation from Service Election, and elects distribution in the form of installment payments, the amount of each monthly installment in any calendar year for the distribution of the subaccounts in a Participant's Accounts for a Deferral Period shall be calculated as follows. The amount of the monthly installment shall be determined before the first installment is paid and on each January 1st in all subsequent calendar years; *provided, however*, that in the case of installment payments that are suspended under Section 8.3(d), the amount of the monthly installment shall be determined on the date as of which the installment payments recommence under Section 8.3(d). The amount of each monthly installment for such calendar year shall be determined by dividing: (A) the number of remaining monthly installments into (B) the Participant's vested balance in the subaccounts in the Participant's Accounts for such Deferral Period, determined as of the last Valuation Date of the prior month. A Participant's last installment payment shall be adjusted as needed to reflect investment gains or losses. If the vested balance in the Participant's Accounts for such Deferral Period, determined as of the last Valuation Date of the month prior to the month in which the installment payments are to commence is less than \$50,000, such vested balance shall be paid to the Participant in a lump sum payment not later than sixty (60) days after such Valuation Date, to the extent permitted under Sections 409A(a)(2), (3) and (4) of the Code and the Treasury Regulations thereunder.

(2) If installment payments are made, the provisions of Sections 6.3, 6.4 and 6.5 shall continue to apply to the unpaid interest in the relevant subaccounts.

(3) In the event that a Caesars Participant's special Separation from Service Election, determined under Section 8.1(e), provides for the distribution of such Caesars Participant's Transferred Caesars Accounts in the form of installment payments, the amount of each monthly installment payment for any calendar year for the distribution of such Caesars Participant's Transferred Caesars Accounts shall be calculated by applying paragraph (1) separately with respect to such Caesars Participant's Transferred Caesars Accounts.

8.5 Beneficiary Designations

(a) **General.** In the event of the death of the Participant, the Participant's vested interest in his or her Accounts shall be paid to the Participant's Beneficiary as described in Section 8.4(c). Each Participant shall have the right to designate, in the manner specified by the EDCP Committee, a Beneficiary or Beneficiaries to receive his benefits hereunder in the event of the Participant's death.

(b) **Spousal Consent Requirements.** If the Participant is married at the time the Beneficiary designation is filed, the Participant must designate his spouse as the Beneficiary of at least 50% of the Participant's Accounts or provide the spouse's consent to the designation of a Beneficiary other than the spouse. If a Participant marries or

divorces after a Beneficiary designation is filed, the designation will no longer be effective.

(c) **Revised Designations.** Subject to the spousal consent requirements noted above, each Participant may change his Beneficiary designation from time to time in the manner described above. Upon receipt of such designation by the EDCP Committee, such designation or change of designation shall become effective as of the date of the notice, whether or not the Participant is living at the time the notice is received. There shall be no liability on the part of the Employer, the EDCP Committee or the Trustee with respect to any payment authorized by the EDCP Committee in accordance with the most recent Beneficiary designation of the Participant in the possession of the EDCP Committee before the EDCP Committee receives a more recent Beneficiary designation.

(d) **Deemed Beneficiary Designations.** If no designated Beneficiary is living when benefits become payable, or if there is no designated Beneficiary, the Beneficiary shall be the Participant's spouse. If there is no living spouse, the Beneficiary shall be the Participant's estate. If the designated Beneficiary dies after the payment of benefits begin, then the Beneficiary for the remainder of the benefits payable shall be the estate of the Beneficiary.

8.6 Prohibition on Acceleration of Distributions. The time or schedule of payment of any withdrawal or distribution under the Plan shall not be subject to acceleration, except as provided under Treasury Regulations promulgated in accordance with Section 409A(a)(3) of the Code.

8.7 Withholding and Payroll Taxes. The Employer shall withhold from Plan payment any taxes required to be withheld from such payments under federal, state or local law. Any withholding of taxes or other amounts required by federal, state or local law with respect to amounts credited to a Participant's Accounts including, without limitation to, tax due under the Federal Insurance Contributions Act, shall be withheld, to the maximum extent possible, from the portion of the Participant's Salary or Bonus that is not contributed to this Plan (or, in the case of a Caesars Participant, from the portion of the Caesars Participant's "Base Compensation" and "Bonus Compensation" (each, as defined in the Caesars Plan) that is not contributed to this Plan). Any withholding amount that cannot be withheld in accordance with the preceding sentence shall be withheld from the Participant's Deferral Contributions (or, in the case of a Caesars Participant, from the Caesars Participant's deferral contributions under Sections 4.5(a) and (b)).

ARTICLE NINE
ADMINISTRATION OF THE PLAN

9.1 Adoption of Trust. The Company shall enter into a Trust Agreement with the Trustee, which Trust Agreement shall form a part of this Plan and is hereby incorporated herein by reference.

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9.2 Powers of the EDCP Committee

(a) **Plan Administrator.** The EDCP Committee shall be the administrator of the Plan and shall be responsible for the administration of the Plan.

(b) **General Powers of the EDCP Committee.** The EDCP Committee shall have the power and discretion to perform the administrative duties described in this Plan or required for proper administration of the Plan and shall have all powers necessary to enable it to properly carry out such duties. Without limiting the generality of the foregoing, the EDCP Committee shall have the power and discretion to construe and interpret this Plan, to hear and resolve claims relating to this Plan, and to decide all questions and disputes arising under this Plan. The EDCP Committee shall determine, in its discretion, the service credited to the Participants, the status and rights of a Participant, and the identity of the Beneficiary or Beneficiaries entitled to receive any benefits payable hereunder on account of the death of a Participant. The decision or action of the EDCP Committee in respect of any question arising under or in connection with the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having an interest in the Plan.

(c) **Distributions.** Except as is otherwise provided hereunder, the EDCP Committee shall determine the manner and time of payment of benefits under this Plan. All benefit disbursements by the Trustee shall be made upon the instructions of the EDCP Committee.

(d) **Decisions Conclusive.** The decision of the EDCP Committee upon all matters within the scope of its authority shall be binding and conclusive upon all persons.

(e) **Reporting.** The EDCP Committee shall file all reports and forms lawfully required to be filed by the EDCP Committee and shall distribute any forms, reports or statements to be distributed to Participants and others.

(f) **Trust Fund.** The EDCP Committee shall keep itself advised with respect to the funded status and investment of the Trust Fund.

9.3 Creation of Committee. The EDCP Committee shall be appointed by the Chief Executive Officer of the Company. The EDCP Committee must consist of at least three members. The EDCP Committee members shall serve without compensation but shall be reimbursed for all expenses by the Company. The EDCP Committee shall conduct itself in accordance with the provisions of this Article Nine. The members of the EDCP Committee may resign with thirty (30) days notice in writing to the Company and may be removed immediately at any time by written notice from the Company. The EDCP Committee may have duties with respect to other plans of the Company that are or identical to its duties under the Plan.

9.4 Appointment of Agents. The EDCP Committee may appoint such other agents, who need not be members of the EDCP Committee, as it may deem necessary for the effective performance of its duties, whether ministerial or discretionary, as the EDCP Committee may

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deem expedient or appropriate. The compensation of any agents who are not employees of the Company shall be fixed by the committee within any limitations set by the HRC.

9.5 Majority Vote and Execution of Instruments. In all matters, questions and decisions, the action of the EDCP Committee shall be determined by a majority vote of its members. They may meet informally or take any ordinary action without the necessity of meeting as a group. All instruments executed by the EDCP Committee shall be executed by a majority of its members or by any member of the EDCP Committee designated to act on its behalf.

9.6 Allocation of Responsibilities. The EDCP Committee may allocate responsibilities among its members or designate other persons to act on its behalf. Any allocation or designation, however, must be set forth in writing and must be retained in the permanent records of the EDCP Committee.

9.7 Conflict of Interest. No member of the EDCP Committee who is a Participant shall take any part in any action in connection with his participation as an individual. Such action shall be voted or decided by the remaining members of the EDCP Committee.

9.8 Indemnification. The Company shall indemnify and hold harmless the members of the EDCP Committee against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to this Plan on account of such member's service on the EDCP Committee, except in the case of gross negligence or willful misconduct.

9.9 Action Taken by Employer. Any action to be taken by an Employer shall be taken by resolution adopted by its board of directors or appropriate board committee; provided, however, that by resolution, the board of directors or appropriate board committee may delegate to any committee of the board or any officer of the Employer the authority to take any actions under this Plan, other than the power to determine the basis of Employer contributions.

9.10 Discretionary Authority. All delegations of responsibility set forth in this document regarding the determination of benefits and the interpretation of the terms of the Plan confer discretionary authority upon the person delegated such responsibility.

9.11 Participant Statements. The EDCP Committee shall provide a statement of Plan Accounts to each Participant and Beneficiary on a quarterly or more frequent basis, as determined by the EDCP Committee in its discretion. Such statement of Plan Accounts shall reflect the amounts allocated to each Account maintained for the Participant, the Participant's vested interest in his Accounts, any distributions, withdrawals or expenses charged against the Participant's Account, the hypothetical investment earnings and losses on the Participant's Account, and any other information deemed appropriate by the EDCP Committee.

9.12 Compliance with Section 409A of the Code. The Plan shall be interpreted, construed and administered in a manner that satisfies the requirements of Sections 409A(a)(2), (3) and (4) of the Code and the Treasury Regulations thereunder.

ARTICLE TEN
CLAIMS REVIEW PROCEDURE

10.1 General

(a) A Participant or Beneficiary who believes that he or she has not received the benefits to which he or she is entitled may assert a claim for benefits under the Plan in accordance with the claims procedure of this Article Ten. The claims procedure of this Article Ten shall be applied in accordance with Section 503 of ERISA and Department of Labor Regulation Section 2560.503-1. A Participant or Beneficiary may assert a benefit claim, or appeal the denial of a benefits claim, through such Participant's or Beneficiary's authorized representative, provided that such Participant or Beneficiary has submitted a written notice evidencing the authority of such representative to the EDCP Committee. A Participant or Beneficiary asserting a benefits claim shall be referred to as a "Claimant" under this Article Ten.

(b) A Claimant shall submit his or her benefits claim under the Plan in writing to the EDCP Committee. The Claimant may include documents, records or other information relating to the benefits claim for review by the EDCP Committee in connection with such benefits claim.

10.2 Benefit Determination

(a) The EDCP Committee shall review the Claimant's benefits claim (including any documents, records or other information submitted with such benefits claim) and determine whether such benefits claim shall be approved or denied in accordance with the Plan.

(b) In the event that a Claimant's benefits claim is wholly or partially denied, the EDCP Committee shall provide to the Claimant with written notice of the denial within a reasonable period of time, but not later than ninety (90) days after the receipt of the benefits claim by the EDCP Committee, unless the EDCP Committee determines that special circumstances require an extension of time for making a determination with respect to the benefits claim. If the EDCP Committee determines that an extension of time for making a determination with respect to the benefits claim is required, the EDCP Committee shall provide the Claimant with written notice of such extension prior to the end of the initial ninety (90) day period. The extension of time shall not exceed a period of ninety (90) days from the end of such initial period. The extension notice shall indicate the special circumstances requiring the extension of time and the date by which the EDCP Committee expects to render the benefit determination.

(c) The notice of denial of the Claimant's benefits claim shall set forth:

(1) the specific reason or reasons for the denial;

(2) references to specific Plan provisions on which the denial is based;

(3) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why the material or information is necessary; and

(4) a description of the Plan's appeal procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following a denial of the appeal of the denial of the benefits claim.

(d) The Claimant may appeal any denial of the benefits claim in writing to the EDCP Committee within sixty (60) days after receipt of the EDCP Committee's notice of denial of benefits claim. The Claimant's failure to appeal the denial of the benefits claim by the EDCP Committee in writing within the sixty (60) day period shall render the EDCP Committee's determination final, binding, and conclusive.

10.3 Appeals

(a) A Claimant may appeal the denial of a benefits claim to the EDCP Committee. The EDCP Committee shall review the appeal of the denial of the benefits claim and make a final determination as to whether the benefits claim should be approved or denied in accordance with the Plan.

(b) The Claimant shall be afforded the opportunity to submit written comments, documents, records, and other information relating to the benefits claim, and the Claimant shall be provided, upon request and free of charge, reasonable access to all documents, records, and other information

relevant to the Claimant's benefits claim. A document, record or other information shall be considered "relevant" to the benefits claim, as provided in Department of Labor Regulation Section 2560.503-1(m)(8). The review on appeal by the EDCP Committee shall take into account all comments, documents, records, and other information submitted by the Claimant, without regard to whether such information was submitted or considered in the EDCP Committee's initial determination with respect to the benefits claim. The EDCP Committee shall advise the Claimant in writing of the EDCP Committee's determination of the appeal within sixty (60) days of the claimant's written request for review, unless special circumstances (such as a hearing) would make the rendering of a determination within the sixty (60) day period infeasible, but in no event shall the EDCP Committee render a determination regarding the denial of a claim for benefits later than one hundred twenty (120) days after its receipt of a request for review. If an extension of time for review is required because of special circumstances, written notice of the extension shall be furnished to the Claimant prior to the date the extension period commences.

(c) The notice of denial of the Claimant's appeal of the denial of the Claimant's benefit claim shall set forth:

(1) the specific reason or reasons for the denial of the appeal;

(2) reference to the specific Plan provisions on which the denial of the appeal is based;

(3) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the Claimant's benefits claim (and a document, record or other

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information shall be considered "relevant" to the benefits claim, as provided in Department of Labor Regulation Section 2560.503-1(m)(8)); and

(4) a statement describing Claimant's right to bring an action under ERISA Section 502(a).

(d) If, upon appeal, the EDCP Committee shall grant the relief requested by the Claimant, then, in addition, the EDCP Committee shall award to the Claimant reasonable fees and expenses of counsel, or any other duly authorized representative of Claimant, which shall be paid by the Company. The determination as to whether such fees and expenses are reasonable shall be made by the Company in its sole and absolute discretion and such determination shall be binding and conclusive on all parties.

10.4 Notice of Denials. The EDCP Committee's notice of denial of a benefits claim shall identify the address to which the Claimant may forward his appeal.

ARTICLE ELEVEN
LIMITATION ON ASSIGNMENT; PAYMENTS TO LEGALLY
INCOMPETENT DISTRIBUTE

11.1 Anti-Alienation Clause. No benefit which shall be payable under the Plan to any person shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of the same shall be void. No benefit shall in any manner be subject to the debts, contracts, liabilities, engagements or torts of any person, nor shall it be subject to attachment or legal process for or against any person, except to the extent as may be required by law. The benefits provided by this Plan are not subject to the qualified domestic relations order provisions of ERISA or the Code.

11.2 Permitted Arrangements. Section 11.1 (Anti-Alienation Clause) shall not preclude arrangements for the withholding of taxes from benefit payments, arrangements for the recovery of benefit overpayments, arrangements for the transfer of benefit rights to another plan, or arrangements for direct deposit of benefit payments to an account in a bank, savings and loan association or credit union (provided that such arrangement is not part of an arrangement constituting an assignment or alienation).

11.3 Payment to Minor or Incompetent. Whenever any benefit which shall be payable under the Plan is to be paid to or for the benefit of any person who is then a minor or determined by the EDCP Committee to be incompetent, the EDCP Committee need not require the appointment of a guardian or custodian, but shall be authorized to cause the same to be paid over to the person having custody of the minor or incompetent, or to cause the same to be paid to the minor or incompetent without the intervention of a guardian or custodian, or to cause the same to be paid to a legal guardian or custodian of the minor or incompetent if one has been appointed or to cause the same to be used for the benefit of the minor or incompetent.

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ARTICLE TWELVE
AMENDMENT, MERGER AND TERMINATION

12.1 Amendment.

(a) The Company shall have the right at any time, by an instrument in writing duly executed, acknowledged and delivered to the EDCP Committee, to modify, alter or amend this Plan, in whole or in part, prospectively or retroactively. Additionally, the EDCP Committee shall also have the right to modify, alter or amend the Plan by written instrument provided that such amendment does not have a material adverse financial effect on the Company or the Plan. No amendment shall substantially increase the duties and liabilities of the EDCP Committee and the Trustee hereunder without its written consent. No amendment shall reduce any Participant's vested interest in the Plan, calculated as of the date on which the amendment is adopted.

(b) Notwithstanding anything to the contrary in the Plan, if and to the extent the Company shall determine that the terms of the Plan may result in the failure of the Plan, or amounts deferred by or for any Participant under the Plan, to comply with the requirements of Section 409A of the Code, or any applicable regulations or guidance promulgated by the Secretary of the Treasury in connection therewith, the Company shall have authority to take such action to amend, modify, cancel or terminate the Plan or distribute any or all of the amounts deferred by or for a Participant, as it deems necessary or advisable, including without limitation:

(1) Any amendment or modification of the Plan to conform the Plan to the requirements of Section 409A of the Code or any regulations or other guidance thereunder (including, without limitation, any amendment or modification of the terms of applicable to any Participant's Accounts regarding the timing or form of payment).

(2) Any cancellation or termination of any unvested interest in a Participant's Accounts without any payment to the Participant.

(3) Any cancellation or termination of any vested interest in any Participant's Accounts, with immediate payment to the Participant of the amount otherwise payable to such Participant.

Any such amendment, modification, cancellation, or termination of the Plan may adversely affect the rights of a Participant without the Participant's consent.

(c) Any Affiliate or other entity adopting this Plan hereby delegates the authority to amend the Plan to the Company and the EDCP Committee. If the Plan is amended after it is adopted by an Affiliate, unless otherwise expressly provided, it shall be treated as so amended by such Affiliate without the necessity of any action on the part of the Affiliate. An Affiliate or other entity that has adopted this Plan may terminate its future participation in the Plan at any time.

12.2 Merger or Consolidation of Company. The Plan shall not be automatically terminated by the Company's acquisition by or merger into any other employer, but the Plan shall be continued after such acquisition or merger if the successor employer elects and agrees to continue the Plan. Except as provided in Section 12.4 (Continuation of Plan following Change

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of Control), all rights to amend, modify, suspend, or terminate the Plan shall be transferred to the successor employer, effective as of the date of the merger.

12.3 Termination of Plan or Discontinuance of Contributions. It is the expectation of the Company that this Plan and the contributions hereunder shall be continued indefinitely. However, continuance of the Plan is not assumed as a contractual obligation of the Company. Except as provided in Section 12.4 (Continuation of Plan following a Change of Control), the Company reserves the right at any time to terminate this Plan or to reduce, temporarily suspend or discontinue contributions hereunder. If this Plan is terminated, all Plan benefits shall be distributed in accordance with Article Eight and the Separation from Service Elections and the Distribution Year Elections of the Participants, following the termination of the Plan.

12.4 Continuation of Plan following a Change of Control. Notwithstanding any provision of this Plan to the contrary, if a Change of Control occurs following the Effective Date of this Plan, a successor employer shall have the power to (a) terminate this Plan, (b) amend Section 13.5 (Funding upon a Change of Control) of the Plan, or (c) amend any provision of the Plan that affects a Participant's entitlement to a distribution from the Plan, only if 80% of the individuals who are Participants in the Plan, both as of the date of the Change of Control and as of the date of the adoption of such amendment or termination, consent to such an amendment or termination. The provisions of this Section 12.4 shall not limit a successor employer's authority to take other actions with respect to the Plan, including the authority to discontinue contributions to the Plan.

12.5 Limitation of Company's Liability. The adoption of this Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any employee or Participant or to be consideration for, an inducement to, or a condition of the employment of any employee. A Participant, employee, or Beneficiary shall not have any right to retirement or other benefits except to the extent provided herein.

12.6 Limitation on Distributions. To the extent that any payment to be made to a Participant under this Plan during a taxable year of such Participant's Employer, when combined with all other payments received or to be received during such taxable year of the Participant's Employer that are subject to the limitation on deductibility under Section 162(m) of the Code, would exceed the limitation on deductibility under Section 162(m) of the Code, such payment under the Plan shall be deferred to such Participant's Separation from Service (or, in the case of a Participant who is a Specified Employee, the date which is six months after the date of such Participant's Separation from Service (or, if earlier, the date of such Participant's death) in accordance with Section 409A(a)(2)(B)(i) of the Code and the Treasury Regulations thereunder). Any payment that is deferred in accordance with this Section 12.6 shall be credited with hypothetical investment earnings and losses in accordance with Article Six (Crediting of Contributions and Income).

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ARTICLE THIRTEEN
GENERAL PROVISIONS

13.1 Limitation of Rights. Neither this Plan, the Trust nor membership in the Plan shall give any employee or other person any right except to the extent that the right is specifically fixed under the terms of the Plan. The establishment of the Plan shall not be construed to give any individual a right to be continued in the service of a Employer or as interfering with the right of a Employer to terminate the service of any individual at any time.

13.2 Construction. The masculine gender, where appearing in the Plan, shall include the feminine gender (and vice versa), and the singular shall include the plural, unless the context clearly indicates to the contrary. Headings and subheadings are for the purpose of reference only and are not to be considered in the construction of this Plan. If any provision of this Plan is determined to be for any reason invalid or unenforceable, the remaining provisions shall continue in full force and effect. All of the provisions of this Plan shall be construed and enforced in accordance with ERISA and, to the extent applicable, the laws of the State of Nevada.

13.3 Status of Participants as Unsecured Creditors. All benefits under the Plan shall be the unsecured obligations of the Company and each Employer, as applicable, and, except for those assets which will be placed in the Trust established in connection with this Plan, no assets will be placed in trust or otherwise segregated from the general assets of the Company or each Employer, as applicable, for the payment of obligations hereunder. To the extent that any person acquires a right to receive payments hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company and each Employer, as applicable.

13.4 Status of Trust Fund. The Trust Fund is being established to assist the Company and the Employers in meeting their obligations to the Participants and to provide the Participants with a measure of protection in certain limited instances. In certain circumstances described in the Trust Agreement, the assets of the Trust Fund may be used for the benefit of the Company's or an Affiliate's creditors and, as a result, the Trust Fund is considered to be part of the Company's and Employer's general assets. Benefit payments due under this Plan shall either be paid from the Trust Fund or from the Company's or Affiliate's general assets as directed by the EDCP Committee. Despite the establishment of the Trust Fund, it is intended that the Plan be considered to be "unfunded" for purposes of the ERISA and the Code.

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

13.6 Uniform Administration. Whenever in the administration of the Plan any action is required by the EDCP Committee, such action shall be uniform in nature as applied to all

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persons similarly situated, except as otherwise provided to the contrary in this Plan document or the Trust Agreement.

13.7 Heirs and Successors. All of the provisions of this Plan shall be binding upon all persons who shall be entitled to any benefits hereunder, and their heirs and legal representatives.

13.8 Electronic Administration. The EDCP Committee shall have the authority to employ alternative means (including, but not limited to, electronic, internet, intranet, voice response or telephonic) by which Participants may submit participation elections, directions, and forms required for participation in, and the administration of, this Plan. If the EDCP Committee chooses to use these alternative means, any elections, directions or forms submitted in accordance with the rules and procedures promulgated by the EDCP Committee will be deemed to satisfy any provision of this Plan calling for the submission of a written election, direction or form.

* * * * *

To signify its adoption of this Amendment and Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II, the Company has caused this Plan document to be executed by a duly authorized officer of the Company on this _____ day of _____, 2006.

HARRAH'S ENTERTAINMENT, INC.

By: _____
Name: _____
Title: _____

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Exhibit A

**AMENDMENT AND RESTATEMENT OF
THE HARRAH'S ENTERTAINMENT, INC.
EXECUTIVE SUPPLEMENTAL SAVINGS PLAN II**

SPECIAL EFFECTIVE DATES

The following provisions of the Amendment and Restatement of the Plan shall be effective as of the dates set forth below.

1. Section 3.1(c)(4) of the Plan shall be effective as of the dates provided in the First and Second Amendments to the Plan.
2. Sections 2.5A, 2.5C, 2.11, 2.34, 3.1(e), 3.2(b), 4.2, 4.5, 6.1, and 8.7 of the Plan shall be effective as of June 13, 2005.

3. Effective as of June 13, 2005 and prior to the Caesars Plan Transfer Date, Section 2.5B of the Plan shall read in its entirety as follows:

2.5B “Caesars Participant” means an Employee who is a “Participant” (as defined in the Caesar Plan) and who becomes a Participant in accordance with Section 3.1(e)(1) of the Plan.

4. Effective as of January 1, 2005 and prior to June 13, 2005, Section 2.33 of the Plan shall read in its entirety as follows:

2.33 “Participant” means any Employee who has been selected for participation in the Plan. The term “Participant” also shall include former Participants whose benefits under the Plan have not been fully distributed pursuant to the provisions of the Plan. The term “Participant” shall also include, with respect to Transferred Harrah’s ESSP Accounts, a Harrah’s ESSP Participant.

5. Effective as of June 13, 2005 and prior to the Caesars Plan Transfer Date, Section 2.33 of the Plan shall read in its entirety as follows:

2.33 “Participant” means any Employee who has been selected for participation in the Plan. The term “Participant” also shall include former Participants whose benefits under the Plan have not been fully distributed pursuant to the provisions of the Plan. The term “Participant” shall also include: (a) with respect to Transferred Harrah’s ESSP Accounts, a Harrah’s ESSP Participant, and (b) a Caesars Participant.

6. Effective as of June 13, 2005, Section 2.11 of the Plan shall read in its entirety as follows:

2.11 “Deferral Contribution Account” means the Account maintained to record the Deferral Contributions made by a Participant pursuant to Section 4.1 (Participant Contributions) (and, in the case of a Caesars Participant, the deferral contributions made under Sections 4.5(a) and (b) (Caesars Base Compensation Deferral

Contributions and Caesars Bonus Deferral Contributions)), as adjusted to reflect the rate of return on the hypothetical Investment Funds selected by the Participant in accordance with Section 6.4 (Investment Direction) and other credits or charges in accordance with this Plan. A Participant’s Deferral Contribution Account shall be divided into subaccounts as determined by the EDCP Committee.

7. Effective as of June 13, 2005 and prior to the Caesars Plan Transfer Date, Section 6.4 of the Plan shall read in its entirety as follows:

6.4 Investment Direction. A Participant shall direct the hypothetical investment of his Deferral Contribution Account, Matching Contribution Account, and Discretionary Contribution Account (and, in the case of a Caesars Participant, his Caesars Company Contribution Account) among the Investment Funds in the manner (including, but not limited to, writing, electronic, internet, intranet, voice response or telephonic) established by the EDCP Committee. The Participant’s Deferral Contribution Account, Matching Contribution Account and Discretionary Contribution Account (and Caesars Company Contribution Account, if any) shall not be invested in the Investment Funds, but the value of the Participant’s Accounts shall be measured by the performance of the Investment Funds selected. Any and all changes to a Participant’s Investment Fund allocation shall be made in accordance with the uniform procedures of the EDCP Committee, which shall permit changes in Investment Fund allocations on a quarterly or more frequent basis. If a Participant fails to direct the hypothetical investment of his or her Accounts in the manner established by the EDCP Committee, the Participant shall be deemed to have selected the default hypothetical Investment Fund(s) selected by the EDCP Investment Committee for such purpose, in the discretion of the EDCP Committee and in accordance with its uniform policies and procedures.

8. Effective as of the Caesars Plan Transfer Date and prior to July , 2006, Section 6.4 of the Plan shall read in its entirety as follows:

6.4 Investment Direction. A Participant shall direct the hypothetical investment of his Deferral Contribution Account, Matching Contribution Account, and Discretionary Contribution Account (and, in the case of a Harrah’s ESSP Participant, his or her Transferred Harrah’s ESSP Accounts (if any), and, in the case of a Caesars Participant, his or her Caesars Company Contribution Account and Transferred Caesars Accounts (if any)) among the Investment Funds in the manner (including, but not limited to, writing, electronic, internet, intranet, voice response or telephonic) established by the EDCP Committee. The Participant’s Deferral Contribution Account, Matching Contribution Account, and Discretionary Contribution Account (and Transferred Harrah’s ESSP Accounts (if any), and Caesars Company Contribution Account and Transferred Caesars Accounts (if any)) shall not be invested in the Investment Funds, but the value of the Participant’s Accounts shall be measured by the performance of the Investment Funds selected. Any and all changes to a Participant’s Investment Fund allocation shall be made in accordance with the uniform procedures of the

EDCP Committee, which shall permit changes in Investment Fund allocations on a quarterly or more frequent basis. If a Participant fails to direct the hypothetical investment of his or her Accounts in the manner established by the EDCP Committee, the Participant shall be deemed to have selected the default hypothetical Investment Fund(s) selected by the EDCP Investment Committee for such purpose, in the discretion of the EDCP Committee and in accordance with its uniform policies and procedures.

9. Effective as of June 13, 2005 and prior to the Caesars Plan Transfer Date, Section 7.1(d) of the Plan shall read in its entirety as follows:

(d) Caesars Matching Contributions. Each Caesars Participant shall have a vested interest in his or her Caesars Company Contribution Account, which is determined as follows:

(1) Vesting Schedule. A Caesars Participant shall vest in the “Base Compensation Company Contribution Amount” and the “Bonus Compensation Company Contribution Amount” (collectively, the “Company Contribution Amount”) that are credited to the Caesars Participant’s Caesars Company Contribution Account in a Plan Year (plus investment gains and losses thereon under Article Six), upon completion of the applicable vesting period for such Caesars Company Contribution Amount. The vesting period for the Caesars

Participant's Caesars Company Contribution Account shall commence with the Plan Year in which the Company Contribution Amount is credited under Section 4.5(c), with the Caesars Participant vesting in: (A) 33 1/3% of the Company Contribution Amount upon being credited with a "Year of Vesting Service" (as defined in the Caesars Plan) for the Plan Year for which such Company Contribution Amount is credited, (B) 33 1/3% of the Company Contribution Amount upon being credited with a "Year of Vesting Service" for the immediately following Plan Year, and (C) 33 1/3% of the Company Contribution Amount upon being credited with a "Year of Vesting Service" for the next following Plan Year.

(2) **Accelerated Vesting.** Notwithstanding paragraph (1), a Caesars Participant's Caesars Company Contribution Account shall become fully vested should: (A) the Caesars Participant die while employed by the Company or an Affiliate, (B) the Caesars Participant become "Disabled" (as defined in the Caesars Plan) while employed by the Company or an Affiliate, or (C) there occur a "Change of Control." If a Caesars Participant retires on or after attaining age 55 and does not become employed by a "Competitor" (as defined in the Caesars Plan) during the six month period immediately following his or her retirement (the "Six Month Period"), such Caesars Participant's Caesars Company Contribution Account shall become fully vested upon the completion of the Six Month Period (irrespective of the form of distribution elected by the Caesars Participant) and such Caesars Participant shall receive or

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commence to receive the distribution of the amount credited to his or her Caesars Company Contribution Account that becomes vested under this paragraph in accordance with paragraph (4).

(3) **Forfeiture.**

(A) If a Caesars Participant who is not fully vested in his or her Caesars Company Contribution Account retires on or after attaining age 55 and becomes employed by a "Competitor" during the Six Month Period, the portion of such Caesars Participant's Caesars Company Contribution Account which is not vested shall immediately be forever forfeited and the Company and the Affiliates shall have no obligation to the Caesars Participant (or his or her Beneficiary) with respect to such forfeited amount.

(B) Subject to paragraph (2) and subparagraph (A) of this paragraph, if a Caesars Participant who is not fully vested in his or her Caesars Company Contribution Account receives or commences to receive the distribution of the amount credited to his or her Caesars Company Contribution Account, the portion of such Caesars Participant's Caesars Company Contribution Account which is not vested shall immediately be forever forfeited and the Company and the Affiliates shall have no obligation to the Caesars Participant (or his or her Beneficiary) with respect to such forfeited amount.

(4) **Special Distribution.** If a Caesars Participant becomes fully vested in his or her Caesars Company Contribution Account under paragraph (2) on account of such Caesars Participant's retirement on or after attaining age 55, then, notwithstanding Article Eight, such Caesars Participant shall receive or commence to receive the distribution of the amount credited to his or her Caesars Company Contribution Account that becomes vested under paragraph (2) as soon as administratively feasible following the completion of the Six Month Period which follows such Participant's retirement, in form of distribution elected under his or her Separation from Service Election or Distribution Year Election under Section 3.2(b).

10. Effective as of June 13, 2005 and prior to the Caesars Plan Transfer Date, the second sentence of the first paragraph of Section 8.1 of the Plan shall read as follows:

Such Separation from Service Election or Distribution Year Election shall apply to the distribution of the subaccounts of such Participant's Accounts to which his or her Deferral Contributions, Matching Contributions and Discretionary Contributions (and, in the case of a Caesars Participant, the deferral contributions and matching contributions under Section 4.5) for such Deferral Period are credited.

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11. Effective as of June 13, 2005, Section 8.1(a) of the Plan shall read as follows:

(a) **Subaccounts.** A Participant's Deferral Contributions for a Deferral Period (and, in the case of a Caesars Participant, such Caesars Participant's deferral contributions under Sections 4.5(a) and (b) for the Deferral Period) shall be credited to the subaccount for such Deferral Period under such Participant's Deferral Contribution Account. Such Participant's Matching Contributions for a Deferral Period (if any) shall be credited to the subaccount for such Deferral Period under such Participant's Matching Contribution Account. Such Participant's Discretionary Contributions for a Deferral Period (if any) shall be credited to the subaccount for such Deferral Period under such Participant's Discretionary Contribution Account. Such Participant's Separation from Service Election or Distribution Year Election for such Deferral Period shall apply to distributions from the subaccounts of such Participant's Accounts for such Deferral Period.

12. Sections 2.5B, 2.33 and 4.7 of the Plan shall be effective as of the Caesars Plan Transfer Date.

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**AMENDMENT TO
PARK PLACE ENTERTAINMENT CORPORATION
1998 STOCK INCENTIVE PLAN, AS AMENDED MAY 11, 2001**

THIS AMENDMENT TO PARK PLACE ENTERTAINMENT CORPORATION 1998 STOCK INCENTIVE PLAN, AS AMENDED MAY 11, 2001, dated as of June 13, 2005, is made and adopted by Harrah's Operating Company, Inc. ("Harrah's Operating Company"), a Delaware corporation and a wholly owned subsidiary of Harrah's Entertainment, Inc., a Delaware corporation. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to them in the Plan (as defined below).

WHEREAS, Harrah's Operating Company previously entered into that certain Agreement and Plan of Merger, dated as of July 14, 2004 (the "Agreement"), pursuant to which Caesars Entertainment, Inc., a Delaware corporation ("Caesars"), upon the terms and subject to the conditions set forth in the Agreement, merged with and into Harrah's Operating Company, with Harrah's Operating Company as the surviving entity (the "Merger");

WHEREAS, Caesars maintains the Park Place Entertainment Corporation 1998 Stock Incentive Plan, as amended May 11, 2001 (the "Plan");

WHEREAS, pursuant to Section 8 of the Plan, the Board of Directors of the Corporation may at any time amend the Plan;

WHEREAS, Harrah's Operating Company, as successor to Caesars, desires to amend the Plan as set forth herein; and

WHEREAS, this Amendment was adopted by the Special Plan Amendment Committee of Harrah's Operating Company on June 13, 2005.

NOW, THEREFORE, in consideration of the foregoing, Harrah's Operating Company hereby amends the Plan as follows, effective as of immediately after the consummation of the Merger:

1. Section 1(k) of the Plan is hereby amended to delete the amount "\$.01" appearing therein and to substitute the amount "\$.10" therefor.
2. Section 1(l) of the Plan is hereby amended and restated in its entirety as follows:

“(l) ‘*Corporation*’ means Harrah's Entertainment, Inc., a Delaware corporation.”

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3. The following new Section 1(cc) is hereby added to the Plan:

“(cc) ‘*Harrah's Merger Agreement*’ shall mean that certain Agreement and Plan of Merger, dated as of July 14, 2004, pursuant to which Caesars Entertainment, Inc., a Delaware corporation, merged with and into Harrah's Operating Company, Inc., a Delaware corporation and a wholly owned subsidiary of the Corporation, with Harrah's Operating Company, Inc. as the surviving entity.”

4. The following new Section 1(dd) is hereby added to the Plan:

“(dd) ‘*Harrah's Merger Effective Time*’ shall mean the effective time of the merger (the “*Merger*”) pursuant to the Harrah's Merger Agreement.”

5. The first paragraph of Section 2 of the Plan is hereby amended and restated in its entirety as follows:

“The Plan shall be administered by the Human Resources Committee of the Board (the ‘*Committee*’); *provided, however* that the Human Resources Committee may delegate to a committee of one or more members of the Board the authority to grant or amend Awards to participants other than (i) senior executives of the Corporation who are subject to Section 16 of the Exchange Act or (ii) any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Corporation or any subsidiary who is, or could be, a “covered employee” within the meaning of Section 162(m) of the Code. The Committee shall consist of at least two individuals, each of whom qualifies as (i) a member of the Board who qualifies as a “Non-Employee Director” as defined in Rule 16b-3(b)(3) of the Exchange Act, or any successor definition adopted by the Board, and (ii) an “outside director” pursuant to Code Section 162(m) and the regulations issued thereunder. Reference to the Committee shall refer to the Board if the Human Resources Committee ceases to exist and the Board does not appoint a successor Committee.”

6. Section 3 of the Plan is hereby amended as follows:

- a. The first sentence of Section 3 of the Plan is hereby amended to add the phrase “Prior to the Harrah's Merger Effective Time,” to the beginning of the sentence.
- b. The following new paragraph is hereby added following the first paragraph of Section 3 of the Plan:

“Immediately after the Harrah's Merger Effective Time, the number of shares of Common Stock reserved and available for grant under the Plan, the maximum number of shares of Common Stock covered by Awards granted to any participant in any calendar year, the maximum

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number of shares of Common Stock covered by Special Options granted to the CEO in the aggregate, and the maximum number of shares of Common Stock covered by Special Options granted to the Chairman in the aggregate shall be adjusted to reflect the Merger.”

c. The following new sentence is hereby added to the end of the second paragraph of Section 3 of the Plan:

“Effective immediately after the Harrah’s Merger Effective Time, the outstanding Awards under this Plan shall be adjusted to reflect the Merger, as provided by the Harrah’s Merger Agreement.”

7. The following new paragraph is hereby added to the end of Section 8 of the Plan:

“Effective immediately after the Harrah’s Merger Effective Time, the Special Plan Amendment Committee of Harrah’s Operating Company, Inc. shall have the power to amend this Plan as the Special Plan Amendment Committee deems necessary or desirable to facilitate the integration of Caesars Entertainment, Inc. with Harrah’s Operating Company, Inc. pursuant to the Merger.”

8. This Amendment shall be and is hereby incorporated in and forms a part of the Plan.

9. All other terms and provisions of the Plan shall remain unchanged except as specifically modified herein.

10. The Plan, as amended by this Amendment, is hereby ratified and confirmed.

[SIGNATURE PAGE FOLLOWS]

I hereby certify that the foregoing Amendment was duly adopted by the Special Plan Amendment Committee of Harrah’s Operating Company, Inc. on June 13, 2005.

By: _____
Name: Stephen H. Brammell
Title: Senior Vice President, General Counsel and
Corporate Secretary

**AMENDMENT TO
PARK PLACE ENTERTAINMENT CORPORATION
1998 INDEPENDENT DIRECTOR STOCK OPTION PLAN,
AS AMENDED MAY 12, 2000**

THIS AMENDMENT TO PARK PLACE ENTERTAINMENT CORPORATION 1998 INDEPENDENT DIRECTOR STOCK OPTION PLAN, AS AMENDED MAY 12, 2000, dated as of June 13, 2005, is made and adopted by Harrah's Operating Company, Inc. ("Harrah's Operating Company"), a Delaware corporation and a wholly owned subsidiary of Harrah's Entertainment, Inc., a Delaware corporation. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to them in the Plan (as defined below).

WHEREAS, Harrah's Operating Company previously entered into that certain Agreement and Plan of Merger, dated as of July 14, 2004 (the "Agreement"), pursuant to which Caesars Entertainment, Inc., a Delaware corporation ("Caesars"), upon the terms and subject to the conditions set forth in the Agreement, merged with and into Harrah's Operating Company, with Harrah's Operating Company as the surviving entity (the "Merger");

WHEREAS, Caesars maintains the Park Place Entertainment Corporation 1998 Independent Director Stock Option Plan, as amended May 12, 2000 (the "Plan");

WHEREAS, pursuant to Section 6 of the Plan, the Board of Directors of the Corporation may at any time amend the Plan;

WHEREAS, Harrah's Operating Company, as successor to Caesars, desires to amend the Plan as set forth herein; and

WHEREAS, this Amendment was adopted by the Special Plan Amendment Committee of Harrah's Operating Company on June 13, 2005.

NOW, THEREFORE, in consideration of the foregoing, Harrah's Operating Company hereby amends the Plan as follows, effective as of immediately after the consummation of the Merger:

1. Section 1(g) of the Plan is hereby amended to delete the amount "\$.01" appearing therein and to substitute the amount "\$.10" therefor.
2. Section 1(h) of the Plan is hereby amended and restated in its entirety as follows:

“(h) ‘*Corporation*’ means Harrah's Entertainment, Inc., a Delaware corporation.”

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3. The following new Section 1(x) is hereby added to the Plan:

“(x) ‘*Harrah's Merger Agreement*’ shall mean that certain Agreement and Plan of Merger, dated as of July 14, 2004, pursuant to which Caesars Entertainment, Inc., a Delaware corporation, merged with and into Harrah's Operating Company, Inc., a Delaware corporation and a wholly owned subsidiary of the Corporation, with Harrah's Operating Company, Inc. as the surviving entity.”

4. The following new section 1(y) is hereby added to the Plan:

“(y) ‘*Harrah's Merger Effective Time*’ shall mean the effective time of the merger (the “*Merger*”) pursuant to the Harrah's Merger Agreement.”

5. Section 3 of the Plan is hereby amended as follows:

- a. The first sentence of Section 3 of the Plan is hereby amended to add the phrase “Prior to the Harrah's Merger Effective Time,” to the beginning of the sentence.
- b. The following new paragraph is hereby added following the first paragraph of Section 3 of the Plan:

“Immediately after the Harrah's Merger Effective Time, the total number of shares of Common Stock reserved and available for grant under the Plan shall be adjusted to reflect the Merger.”
- c. The following new paragraph is hereby added to the end of Section 3 of the Plan:

“Effective immediately after the Harrah's Merger Effective Time, the outstanding Stock Options under this Plan shall be adjusted to reflect the Merger, as provided by the Harrah's Merger Agreement.”

6. The following new sentence is hereby added to the end of the second paragraph of Section 6 of the Plan:

“Effective immediately after the Harrah's Merger Effective Time, the Special Plan Amendment Committee of Harrah's Operating Company, Inc. shall have the power to amend this Plan as the Special Plan Amendment Committee deems necessary or desirable to facilitate the integration of Caesars Entertainment, Inc. with Harrah's Operating Company, Inc. pursuant to the Merger.”

7. This Amendment shall be and is hereby incorporated in and forms a part of the Plan.

8. All other terms and provisions of the Plan shall remain unchanged except as specifically modified herein.
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9. The Plan, as amended by this Amendment, is hereby ratified and confirmed.

[SIGNATURE PAGE FOLLOWS]

I hereby certify that the foregoing Amendment was duly adopted by the Special Plan Amendment Committee of Harrah's Operating Company, Inc. on June 13, 2005.

By: _____
Name: Stephen H. Brammell
Title: Senior Vice President, General Counsel and
Corporate Secretary

**AMENDMENT TO
THE RESTATED
PARK PLACE ENTERTAINMENT CORPORATION
EXECUTIVE DEFERRED COMPENSATION PLAN**

THIS AMENDMENT TO THE RESTATED PARK PLACE ENTERTAINMENT CORPORATION EXECUTIVE DEFERRED COMPENSATION PLAN, dated as of June 13, 2005, is made and adopted by Harrah's Operating Company, Inc. ("Harrah's Operating Company"), a Delaware corporation and a wholly owned subsidiary of Harrah's Entertainment, Inc., a Delaware corporation. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to them in the Plan (as defined below).

WHEREAS, Harrah's Operating Company previously entered into that certain Agreement and Plan of Merger, dated as of July 14, 2004 (the "Agreement"), pursuant to which Caesars Entertainment, Inc., a Delaware corporation ("Caesars"), upon the terms and subject to the conditions set forth in the Agreement, merged with and into Harrah's Operating Company, with Harrah's Operating Company as the surviving entity (the "Merger");

WHEREAS, Caesars maintains The Restated Park Place Entertainment Corporation Executive Deferred Compensation Plan (the "Plan");

WHEREAS, pursuant to Section 10.5 of the Plan, the Company may amend the Plan in whole or in part;

WHEREAS, Harrah's Operating Company, as successor to Caesars, desires to amend the Plan as set forth herein; and

WHEREAS, this Amendment was adopted by the Special Plan Amendment Committee of Harrah's Operating Company on June 13, 2005.

NOW, THEREFORE, in consideration of the foregoing, Harrah's Operating Company hereby amends the Plan as follows, effective as of immediately after the consummation of the Merger:

1. The definition of "Company" in Section 1.2 of the Plan is hereby amended and restated in its entirety as follows:

"Company" shall mean Harrah's Entertainment, Inc., a Delaware corporation."

2. The following sentence is hereby added the end of Section 10.5 of the Plan:

"Effective as of immediately after the consummation of the merger of Caesars Entertainment, Inc. with and into Harrah's Operating Company, Inc., the Special Plan Amendment Committee of Harrah's Operating Company, Inc. shall have the

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power to amend this Plan as the Special Plan Amendment Committee deems necessary or desirable to facilitate the integration of Caesars Entertainment, Inc. with Harrah's Operating Company, Inc. pursuant to the merger."

3. This Amendment shall be and is hereby incorporated in and forms a part of the Plan.
4. All other terms and provisions of the Plan shall remain unchanged except as specifically modified herein.
5. The Plan, as amended by this Amendment, is hereby ratified and confirmed.

[SIGNATURE PAGE FOLLOWS]

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I hereby certify that the foregoing Amendment was duly adopted by the Special Plan Amendment Committee of Harrah's Operating Company, Inc. on June 13, 2005.

By: _____
Name: Stephen H. Brammell
Title: Senior Vice President, General Counsel and
Corporate Secretary

**FIRST AMENDMENT TO THE
RESTATED PARK PLACE ENTERTAINMENT CORPORATION
EXECUTIVE DEFERRED COMPENSATION PLAN**

WHEREAS, Caesars Entertainment, Inc. (formerly named Park Place Entertainment Corporation) maintained the Park Place Entertainment Corporation Executive Deferred Compensation Plan (the "Plan"), which was most recently amended and restated effective as of January 1, 2002;

WHEREAS, effective as of June 13, 2005, Caesars Entertainment, Inc. was merged with and into Harrah's Operating Company, Inc., a Delaware corporation ("Harrah's Operating") and a wholly-owned subsidiary of Harrah's Entertainment, Inc., a Delaware corporation ("Harrah's");

WHEREAS, effective as of June 13, 2005, the Plan was amended to provide that Harrah's shall have authority to amend the Plan;

WHEREAS, Harrah's maintains the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II (the "Harrah's Plan") for the eligible employees of Harrah's and its subsidiaries;

WHEREAS, Harrah's now wishes to amend the Plan to provide that compensation earned during 2005 by a Participant (as defined in the Plan), and deferred by such Participant under the Plan, will be credited to an account under the Harrah's Plan commencing with the first payroll period beginning on or after July 1, 2005 and subject to the terms and conditions of the Harrah's Plan;

WHEREAS, Harrah's further wishes to amend the Plan to provide that the Company matching contribution amounts under the Plan with respect to such deferred compensation will be credited to an account for such Participant under the Harrah's Plan and subject to the terms and conditions of the Harrah's Plan;

WHEREAS, Harrah's further wishes to amend the Plan to permit a Participant to reduce or suspend such Participant's deferral elections under the Plan, on a prospective basis, commencing on or after July 1, 2005;

WHEREAS, Harrah's further wishes to amend the Plan to provide that no Employee (as defined in the Plan) will become a Participant in the Plan on or after July 1, 2005, and that Participants in the Plan will not be afforded deferral elections under the Plan with respect to compensation earned on or after January 1, 2006; and

WHEREAS, Section 10.5 of the Plan provides that Harrah's may amend the Plan, subject to certain limitations.

NOW, THEREFORE, the Plan is hereby amended, effective as of June 13, 2005, as follows:

AMENDMENT

1. Section 1.2 of the Plan is hereby amended to add the following new definition of "Harrah's Plan": "Harrah's Plan' shall mean the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II."
2. The definition of "Participant" in Section 1.2 of the Plan is hereby amended to add the following at the end thereof: "No Eligible Employee shall become a Participant on or after July 1, 2005."
3. Article I of the Plan is hereby amended to add the following new Section 1.3 at the end thereof:
 - 1.3 Continuation by Harrah's Operating Company, Inc.
 Effective as of June 13, 2005, Caesars Entertainment, Inc. (formerly named Park Place Entertainment Corporation) was merged with and into Harrah's Operating Company, Inc., a Delaware corporation and a wholly-owned subsidiary of Harrah's Entertainment, Inc., a Delaware corporation. The Plan was continued by Harrah's Operating Company, Inc., as successor to Caesars Entertainment, Inc.
4. Section 2.1 of the Plan is hereby amended to add the following new subsection (d) at the end thereof:
 - (d) No Eligible Employee or other person shall become a Participant on or after July 1, 2005.
5. Section 3.1 of the Plan is hereby amended to add the following new subsection (d) at the end thereof:
 - (d) Notwithstanding subsection (b) of this Section 3.1, a Participant may file a new election with the Committee, on a form provided by the Committee, not later than June 30, 2005, to: (i) reduce his or her Base Compensation deferral election then in effect, thereby reducing such Participant's Base Compensation deferral percentage for the remainder of the Plan Year to a lesser percentage, or (ii) suspend his or her Base Compensation deferral election then in effect, thereby reducing such Participant's Base Compensation deferral percentage for the remainder of the Plan Year to 0%. If a suspension election is made, the Participant shall make no further Base Compensation deferrals under the Plan for the 2005 Plan Year. Such election shall be valid as soon as administratively feasible following its receipt by the Committee. A Participant's new election may not increase his or her Base Compensation deferral percentage for the 2005 Plan Year. No Participant shall be permitted to make an election under the Plan to defer his or her Base Compensation earned for services performed during the 2006 Plan Year or any later Plan Year.

6. Section 3.2 of the Plan is hereby amended to add the following at the end thereof:

Notwithstanding the first sentence of this Section 3.2, a Participant may file a new election with the Committee, on a form provided by the Committee, not later than June 30, 2005 to: (i) reduce his or her Bonus Compensation deferral election then in effect, thereby reducing such Participant's Bonus Compensation deferral percentage for any Bonus Compensation earned for services performed during 2005 and otherwise payable after such new election to a lesser percentage, or (ii) suspend his or her Bonus Compensation deferral election then in effect, thereby reducing such Participant's Bonus Compensation deferral percentage to 0% for any Bonus Compensation earned for services performed during 2005 and otherwise payable after such new election. If a suspension election is made, the Participant shall make no further Bonus Compensation deferrals under the Plan for Bonus Compensation earned for services performed during the 2005 Plan Year. Such election shall be valid as soon as administratively feasible following its receipt by the Committee. A Participant's new election may not increase his or her Bonus Compensation deferral percentage for the 2005 Plan Year. No Participant shall be permitted to make an election under the Plan to defer his or her Bonus Compensation earned for services performed during the 2006 Plan Year or any later Plan Year.

7. Section 4.1(b) of the Plan is hereby amended to delete the semicolon at the end thereof and add the following at the end thereof:

provided, however, that, with respect to Base Compensation deferred by the Participant for any such payroll period for such Participant commencing on or after July 1, 2005 and before January 1, 2006, an amount equal to the Base Compensation deferred by the Participant for such payroll period in accordance with the Participant's election under Section 3.1(a) shall be credited to such Participant's "Deferral Contribution Account" under the Harrah's Plan (and shall not be credited to the Participant's Deferral Account or the subaccounts thereunder);

8. Section 4.1(c) of the Plan is hereby amended to delete "; and" at the end thereof and add the following at the end thereof:

provided, however, that, with respect to the Bonus Compensation earned for services performed during 2005, and otherwise payable on or after July 1, 2005, and deferred by the Participant, an amount equal to the portion of such Bonus Compensation deferred by the Participant in accordance with the Participant's election under Section 3.2 shall be credited to such Participant's "Deferral Contribution Account" under the Harrah's Plan (and shall not be credited to the Participant's Deferral Account or the subaccounts thereunder); and

9. The second sentence of Section 4.2(b) of the Plan is hereby amended to delete the semicolon at the end thereof and add the following at the end thereof:

provided, however, that, with respect to Base Compensation deferred by the Participant for any such payroll period for such Participant commencing on or after July 1, 2005 and before January 1, 2006, the Participant's Base Compensation Company Contribution Amount for such payroll period shall be credited to such Participant's "Caesars Company Contribution Account" under the Harrah's Plan (and shall not be credited to the Participant's Company Contribution Account or any subaccount thereunder);

10. The second sentence of Section 4.2(c) of the Plan is hereby amended to delete the semicolon at the end thereof and add the following at the end thereof:

provided, however, that, with respect to the Bonus Compensation earned for services performed during 2005, and otherwise payable on or after July 1, 2005, and deferred by the Participant, the Participant's Bonus Compensation Company Contribution Amount for such Bonus Compensation shall be credited to the Participant's "Caesars Company Contribution Account" under the Harrah's Plan (and shall not be credited to the Participant's Company Contribution Account or any subaccount thereunder);

11. Subsection 4.2(f) of the Plan is hereby amended to delete "; and" at the end thereof and add the following at the end thereof:

provided, however, that any additional Base Compensation Company Contribution Amounts and/or Bonus Compensation Company Contribution Amounts to be credited on or after July 1, 2005, shall be credited to a Participant's "Caesars Company Contribution Account" under the Harrah's Plan (and shall not be credited to the Participant's Company Contribution Account or any subaccount thereunder); and

12. The Plan, as amended herein, shall be maintained by Harrah's Operating Company, Inc., as successor to Caesars Entertainment, Inc. Except as herein amended, the Plan shall continue in full force and effect in accordance with the terms and conditions thereof.

This First Amendment to the Plan is hereby executed by a duly authorized officer of Harrah's Entertainment, Inc., effective as of June 13, 2005.

HARRAH'S ENTERTAINMENT, INC.

By: _____

Its: _____

**SECOND AMENDMENT TO THE
RESTATED PARK PLACE ENTERTAINMENT CORPORATION
EXECUTIVE DEFERRED COMPENSATION PLAN**

WHEREAS, Caesars Entertainment, Inc. (formerly named Park Place Entertainment Corporation) maintained the Park Place Entertainment Corporation Executive Deferred Compensation Plan (the "Plan"), which was most recently amended and restated effective as of January 1, 2002;

WHEREAS, effective as of June 13, 2005, Caesars Entertainment, Inc. was merged with and into Harrah's Operating Company, Inc., a Delaware corporation ("Harrah's Operating") and a wholly-owned subsidiary of Harrah's Entertainment, Inc., a Delaware corporation ("Harrah's");

WHEREAS, effective as of June 13, 2005, the Plan was amended to provide that Harrah's shall have authority to amend the Plan;

WHEREAS, Harrah's now wishes to amend the Plan to provide that a specified Participant (as defined in the Plan) may elect to withdraw all or any portion of his Accounts (as defined in the Plan) during 2005 in accordance with the transitional relief under Internal Revenue Notice 2005-1, Q/A-20;

WHEREAS, Section 10.5 of the Plan provides that Harrah's may amend the Plan, subject to certain limitations.

NOW, THEREFORE, the Plan is hereby amended, effective as of August 1, 2005, as follows:

AMENDMENT

1. Article VI of the Plan is hereby amended to add new Section 6.3A to read in its entirety as follows:

6.3A Special Withdrawal during 2005.

A Participant whose name is set forth on Appendix B hereto may request a withdrawal of all or any portion of his vested Accounts as set forth in this Section 6.3A prior to termination of employment. Such Participant may make only one withdrawal request under this Section 6.3A and shall make such withdrawal request not later than October 31, 2005. Such withdrawal shall be taken in a lump sum payment and shall be made on or before December 31, 2005. Such Participant's withdrawal under this Section 6.3A shall comply with the requirements of the transitional relief under Q/A-20 of Internal Revenue Service Notice 2005-1.

2. The Plan is hereby amended to add new Appendix B at the end thereof, in the form attached hereto.

This Second Amendment to the Plan is hereby executed by a duly authorized officer of Harrah's Entertainment, Inc., effective as of August 1, 2005.

HARRAH'S OPERATING COMPANY, INC.

By: _____

Its: _____

**THIRD AMENDMENT TO THE
RESTATED PARK PLACE ENTERTAINMENT CORPORATION
EXECUTIVE DEFERRED COMPENSATION PLAN**

WHEREAS, Caesars Entertainment, Inc. (formerly named Park Place Entertainment Corporation) maintained the Park Place Entertainment Corporation Executive Deferred Compensation Plan (the "Plan"), which was most recently amended and restated effective as of January 1, 2002;

WHEREAS, effective as of June 13, 2005, Caesars Entertainment, Inc. was merged with and into Harrah's Operating Company, Inc., a Delaware corporation ("Harrah's Operating") and a wholly-owned subsidiary of Harrah's Entertainment, Inc., a Delaware corporation ("Harrah's");

WHEREAS, effective as of June 13, 2005, the Plan was amended to provide that Harrah's shall have authority to amend the Plan;

WHEREAS, Harrah's maintains the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II (the "Harrah's Plan") for the eligible employees of Harrah's and its subsidiaries;

WHEREAS, Harrah's Operating now wishes to amend the Plan to provide that compensation earned during 2005 by a Participant (as defined in the Plan) for any payroll period commencing before July 1, 2005, and deferred by such Participant under the Plan, and credited to such Participant's Deferral Account under the Plan, will be transferred from the Plan to the Harrah's Plan, effective as of August 1, 2006, and will be subject to the terms and conditions of the Harrah's Plan;

WHEREAS, Harrah's Operating further wishes to amend the Plan to provide that matching contributions with respect to compensation earned during 2005 by a Participant (as defined in the Plan) for any payroll period commencing before July 1, 2005, and credited to such Participant's Company Contribution Account under the Plan, will be transferred from such Participant's Company Contribution Account under the Plan to an account under the Harrah's Plan, effective as of August 1, 2006, and will be subject to the terms and conditions of the Harrah's Plan;

WHEREAS, Harrah's Operating further wishes to amend the Plan to provide that any unvested amounts credited to a Participant's Company Contribution Account under the Plan, determined as of December 31, 2004, will be transferred from such Participant's Company Contribution Account under the Plan to an account under the Harrah's Plan, effective as of August 1, 2006, and will be subject to the terms and conditions of the Harrah's Plan;

WHEREAS, the amounts to be transferred from a Participant's accounts under the Plan comprise the deferred compensation amounts that are subject to Section 409A of the Code, and the Harrah's Plan is intended to satisfy the requirements of Sections 409A(a)(2), (3) and (4)

of the Code with respect to the deferred compensation amounts transferred from the Plan and credited to accounts under the Harrah's Plan; and

WHEREAS, Section 10.5 of the Plan provides that Harrah's may amend the Plan, subject to certain limitations.

NOW, THEREFORE, the Plan is hereby amended, effective as of August 1, 2006, as follows:

AMENDMENT

1. Article IV of the Plan is hereby amended to add new Section 4.3 at the end thereof:

4.3 Transfers to the Harrah's Plan.

(a) (1) **Amounts to be Transferred.** Effective as of August 1, 2006 (the "Transfer Date"), in the case of a "Caesars Participant" (as defined in the Harrah's Plan), the amounts credited to such Caesars Participant's Accounts that are described in this Section 4.3 shall be transferred from such Accounts to such Caesars Participant's "Transferred Caesars Deferral Account" (as defined in the Harrah's Plan) and "Transferred Caesars Company Contribution Account" (as defined in the Harrah's Plan), as provided in subsections (b), (c), (d) and (e). The amounts described in this Section 4.3 include compensation deferred by such Caesars Participant under the Plan during 2005, and matching contribution credits under the Plan related thereto, and amounts credited to such Caesars Participant's Accounts under the Plan as of December 31, 2004 that were not earned and vested as of December 31, 2004, in each case as adjusted for any earnings credited thereto or any losses debited therefrom under the Plan. The amounts transferred pursuant to Section 4.3 shall be debited from such Caesars Participant's Accounts under the Plan, and shall be credited to such Caesars Participant's "Transferred Caesars Deferral Account" and "Transferred Caesars Company Contribution Account," as applicable, effective as of the Transfer Date.

(2) **Grandfathered Amounts.** The amounts credited to such Caesars Participant's Accounts as of December 31, 2004 that were earned and vested as of December 31, 2004, as adjusted for any earnings credited thereto or any losses debited therefrom under the Plan, are not subject to Section 409A of the Code, and such amounts shall not be transferred from such Caesars Participant's Accounts under the Plan.

(b) **Caesars Base Compensation Deferral Contributions.** The Caesars Participant's Base Compensation (as defined in the Plan) deferred by such Caesars Participant for any payroll period of such Caesars Participant commencing on or after January 1, 2005 and commencing before July 1, 2005 in accordance with Section 3.1(a) of the Plan, as adjusted for any earnings credited thereto and any losses debited therefrom under the Plan, shall be transferred from such Caesars Participant's Deferral Account to such Caesars Participant's "Transferred Caesars Deferral Account," effective as of the Transfer Date.

(c) **Caesars Bonus Deferral Contributions.** The Caesars Participant's Bonus Compensation (as defined in the Plan) otherwise payable on or after January 1, 2005 and before July 1, 2005 and deferred by such Caesars Participant in accordance with Section 3.2(a) of the Plan, as adjusted for any earnings credited thereto and any losses debited therefrom under the Plan, shall be transferred from such Caesars Participant's Deferral Account to such Caesars Participant's "Transferred Caesars Deferral Account," effective as of the Transfer Date.

(d) **Caesars Matching Contributions.** The Caesars Participant's Base Compensation Company Contribution Amount (as defined in the Plan) for any payroll period for such Caesars Participant commencing on or after January 1, 2005 and commencing before July 1, 2005, determined in accordance with Section 4.2(b) of the Plan, as adjusted for any earnings credited thereto and any losses debited therefrom under the Plan, and a Caesars Participant's Bonus Compensation Company Contribution Amount (as defined in the Plan) with respect to such Caesars Participant's Bonus Compensation (as defined in the Plan) otherwise payable after January 1, 2005 and deferred under the Plan, determined in accordance with Section 4.2(c) of the Plan, as adjusted for any earnings credited thereto and any losses debited therefrom under the Plan, shall be transferred from such Caesars Participant's Company Contribution Account to such Caesars Participant's "Transferred Caesars Company Contribution Account," effective as of the Transfer Date.

(e) **Non-Grandfathered Company Contribution Account Balances.** The portion of the amount credited to the Caesars Participant's Company Contribution Account, determined as of December 31, 2004, that was not earned and vested for purposes of Section 409A of the Code, as of December 31, 2004, adjusted for any earnings credited thereto and losses debited therefrom under the Plan, shall be transferred from such Caesars Participant's Company Contribution Account to such Caesars Participant's "Transferred Caesars Company Contribution Account," effective as of the Transfer Date.

2. Except as herein amended, the Plan shall continue in full force and effect in accordance with the terms and conditions thereof.

This Third Amendment to the Plan is hereby executed by a duly authorized officer of Harrah's Entertainment, Inc., effective as of August 1,

2006.

HARRAH'S ENTERTAINMENT, INC.

By: _____

Its: _____

**FOURTH AMENDMENT TO THE
RESTATED PARK PLACE ENTERTAINMENT CORPORATION
EXECUTIVE DEFERRED COMPENSATION PLAN**

WHEREAS, Caesars Entertainment, Inc. (formerly named Park Place Entertainment Corporation) maintained the Park Place Entertainment Corporation Executive Deferred Compensation Plan (the "Plan"), which was most recently amended and restated effective as of January 1, 2002;

WHEREAS, effective as of June 13, 2005, Caesars Entertainment, Inc. was merged with and into Harrah's Operating Company, Inc., a Delaware corporation ("Harrah's Operating") and a wholly-owned subsidiary of Harrah's Entertainment, Inc., a Delaware corporation ("Harrah's");

WHEREAS, effective as of June 13, 2005, the Plan was amended to provide that Harrah's shall have the authority to amend the Plan;

WHEREAS, Harrah's now wishes to amend the Plan to provide that the Harrah's EDCP Committee and the Harrah's EDCP Investment Committee will have responsibility for the administration of the Plan;

WHEREAS, Section 10.5 of the Plan provides that Harrah's may amend the Plan, subject to certain limitations.

NOW, THEREFORE, the Plan is hereby amended, effective as of July , 2006 (except as otherwise provided herein), as follows:

AMENDMENT

1. Section 1.2 of the Plan is hereby amended to delete the definition of "Committee" and to add the following new definitions:

"EDCP Committee" shall mean the Committee appointed to administer the Plan in accordance with Article IX.

"EDCP Investment Committee" shall mean the committee that has the responsibility for selecting and monitoring performance of the Funds.

"HRC" shall mean the Human Resources Committee of the Board.

The Plan is hereby further amended to substitute "EDCP Committee" for each reference to "Committee" therein.

2. The definitions of "Fund" and "Funds" in Section 1.2 of the Plan are hereby amended to read in their entirety as follows:

"Fund" or "Funds" shall mean one or more of the investments selected by the EDCP Investment Committee pursuant to Section 3.3(a).

3. Effective as of January 1, 2006, Section 3.3(b) of the Plan is hereby amended to read in its entirety as follows:

(b) In making the designation pursuant to this Section 3.3, the Participant may specify that all or any whole percentage of his Accounts be deemed to be invested in one or more of the Funds. A Participant may change the designation made under this Section 3.3, in a manner prescribed by the Committee, effective as of the first day of the calendar month following the date on which such change is made.

4. Section 3.3 of the Plan is hereby amended in its entirety to read as follows:

3.3 Investment Elections.

(a) At the time of making the deferral elections described in Section 3.1 and 3.2, the Participant shall designate, in a manner prescribed by the EDCP Committee, the Funds in which the Participant's Accounts shall be deemed to be invested for purposes of determining the amount of earnings to be credited, and/or losses to be debited, to such Accounts under Article IV. The Funds shall consist of the investment vehicles selected by the EDCP Investment Committee from time to time in its sole discretion.

(b) In making the designation pursuant to this Section 3.3, the Participant may specify that all or any whole percentage of his Accounts be deemed to be invested in one or more of the Funds. A Participant may change the designation made under this Section 3.3, in a manner prescribed by the EDCP Committee, effective as of the first day of the calendar month following the date on which such change is made.

(c) Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the Funds are to be used only for purposes of determining the amount of earnings to be credited and/or losses to be debited to a Participant's Account, and a Participant's designation of any such Fund, the allocation to his or her Accounts thereof, the calculation of earnings and the crediting or debiting of such earnings to a Participant's Accounts shall not be considered or construed in any manner as an actual investment of his or her Accounts in any such Fund. In the event that the Company or any trustee of a Trust described in Section 6.6, in its sole discretion, decides to invest any amounts in any or all of the Funds, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Accounts shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Company or any trustee.

(d) Notwithstanding the foregoing provisions of this Section 3.3, the EDCP Investment Committee may retain the overriding discretion regarding the Participant's designation of Funds under this Section 3.3. If a Participant fails to designate any Fund under this Section 3.3, the Participant shall be deemed to have designated the default Fund selected by the EDCP Investment Committee for such

purpose, in the discretion of the EDCP Committee and in accordance with its uniform policies and procedures.

(e) Each Participant shall bear full responsibility for all results associated with his or her designation of Funds under this Section 3.3, and none of the Employer, the EDCP Committee nor the EDCP Investment Committee shall have any responsibility or liability with respect to any Participant's designation of such Funds.

5. Article III of the Plan is hereby amended to add new Section 3.4 at the end thereof:

3.4 Investment Committee.

(a) Membership. The EDCP Investment Committee shall be appointed by action of the HRC. The EDCP Investment Committee members shall serve without compensation but shall be reimbursed for all expenses by the Company. The EDCP Investment Committee shall conduct itself in accordance with the provisions of this Section. The members of the EDCP Investment Committee may resign with thirty (30) days notice in writing to the Company and may be removed immediately at any time by written notice from the HRC. The EDCP Investment Committee may have duties with respect to other plans of the Company that are similar or identical to its duties under the Plan.

(b) Appointment of Agents. The EDCP Investment Committee may appoint such other agents, who need not be members of the EDCP Investment Committee, as it may deem necessary for the effective performance of its duties, whether ministerial or discretionary, as the EDCP Investment Committee may deem expedient or appropriate. The compensation of any agents who are not employees of the Company shall be fixed by the EDCP Investment Committee within any limitations set by the HRC.

(c) Majority Vote. On all matters, questions and decisions, the action of the EDCP Investment Committee shall be determined by a majority vote of its members. They may meet informally or take any ordinary action without the necessity of meeting as a group. All instruments executed by the EDCP Investment Committee shall be executed by a majority of its members or by any member of the EDCP Investment Committee designated to act on its behalf.

(d) Allocation of Responsibilities. The EDCP Investment Committee may allocate responsibilities among its members or designate other persons to act on its behalf. Any allocation or designation, however, must be set forth in writing and must be retained in the permanent records of the EDCP Investment Committee.

(e) Indemnification. The Company shall indemnify and hold harmless the members of the EDCP Investment Committee against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to this Plan on account of such member's service on the EDCP

Investment Committee, except in the case of gross negligence or willful misconduct.

6. Article IX of the Plan is hereby amended to read in its entirety as follows:

9.1 Powers of the EDCP Committee.

(a) Plan Administrator. The EDCP Committee shall be the administrator of the Plan and shall be responsible for the administration of the Plan.

(b) General Powers of the EDCP Committee. The EDCP Committee shall have the power and discretion to perform the administrative duties described in this Plan or required for proper administration of the Plan and shall have all powers necessary to enable it to properly carry out such duties. Without limiting the generality of the foregoing, the EDCP Committee shall have the power and discretion to construe and interpret this Plan, to hear and resolve claims relating to this Plan, and to decide all questions and disputes arising under this Plan. The EDCP Committee shall determine, in its discretion, the service credited to the Participants, the status and rights of a Participant, and the identity of the Beneficiary or Beneficiaries entitled to receive any benefits payable hereunder on account of the death of a Participant. The decision or action of the EDCP Committee in respect of any question arising under or in connection with the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having an interest in the Plan.

(c) Distributions. Except as is otherwise provided hereunder, the EDCP Committee shall determine the manner and time of payment of benefits under this Plan. All benefit disbursements by the Trustee shall be made upon the instructions of the EDCP Committee.

(d) Decisions Conclusive. The decision of the EDCP Committee upon all matters within the scope of its authority shall be binding and conclusive upon all persons.

(e) Reporting. The EDCP Committee shall file all reports and forms lawfully required to be filed by the EDCP Committee and shall distribute any forms, reports or statements to be distributed to Participants and others.

(f) Trust Fund. The EDCP Committee shall keep itself advised with respect to the funded status and investment of the Trust Fund.

9.2 Creation of Committee. The EDCP Committee shall be appointed by the Chief Executive Officer of the Company. The EDCP Committee must consist of at least three members. The EDCP Committee members shall serve without compensation but shall be

reimbursed for all expenses by the Company. The EDCP Committee shall conduct itself in accordance with the provisions of this Article IX. The members of the EDCP Committee may resign with thirty (30) days notice in writing to the Company and may be removed immediately at

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any time by written notice from the Company. The EDCP Committee may have duties with respect to other plans of the Company that are or identical to its duties under the Plan.

9.3 Appointment of Agents. The EDCP Committee may appoint such other agents, who need not be members of the EDCP Committee, as it may deem necessary for the effective performance of its duties, whether ministerial or discretionary, as the EDCP Committee may deem expedient or appropriate. The compensation of any agents who are not employees of the Company shall be fixed by the EDCP Committee within any limitations set by the HRC.

9.4 Majority Vote and Execution of Instruments. In all matters, questions and decisions, the action of the EDCP Committee shall be determined by a majority vote of its members. They may meet informally or take any ordinary action without the necessity of meeting as a group. All instruments executed by the EDCP Committee shall be executed by a majority of its members or by any member of the EDCP Committee designated to act on its behalf.

9.5 Allocation of Responsibilities. The EDCP Committee may allocate responsibilities among its members or designate other persons to act on its behalf. Any allocation or designation, however, must be set forth in writing and must be retained in the permanent records of the EDCP Committee.

9.6 Conflict of Interest. No member of the EDCP Committee who is a Participant shall take any part in any action in connection with his participation as an individual. Such action shall be voted or decided by the remaining members of the EDCP Committee.

9.7 Indemnification. The Company shall indemnify and hold harmless the members of the EDCP Committee against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to this Plan on account of such member's service on the EDCP Committee, except in the case of gross negligence or willful misconduct.

9.8 Action Taken by Employee. Any action to be taken by an Employer shall be taken by resolution adopted by its board of directors or appropriate board committee; provided, however, that by resolution, the board of directors or appropriate board committee may delegate to any committee of the board or any officer of the Employer the authority to take any actions under this Plan, other than the power to determine the basis of Employer contributions.

9.9 Discretionary Authority. All delegations of responsibility set forth in this document regarding the determination of benefits and the interpretation of the terms of the Plan confer discretionary authority upon the person delegated such responsibility.

9.10 Participant Statements. The EDCP Committee shall provide a statement of Plan Accounts to each Participant and Beneficiary on a quarterly or more frequent basis, as determined by the EDCP Committee in its discretion.

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Such statement of Plan Accounts shall reflect the amounts allocated to each Account maintained for the Participant, the Participant's vested interest in his Accounts, any distributions, withdrawals or expenses charged against the Participant's Account, the hypothetical investment earnings and losses on the Participant's Account, and any other information deemed appropriate by the EDCP Committee.

7. Section 10.5 of the Plan is hereby amended to read in its entirety as follows:

10.5 Amendment, Modification, Suspension or Termination.

(a) The Company may amend, modify, suspend or terminate the Plan in whole or in part, except that (i) no amendment, modification, suspension or termination shall have any retroactive effect to reduce any amounts allocated to a Participant's Accounts, and (ii) Section 8.1 may not be amended with respect to any Participant or Beneficiary following the date the Participant or Beneficiary makes a claim for benefits under the Plan. In the event that this Plan is terminated, the amounts credited to a Participant's Accounts (including any previously uninvested amounts) shall be distributed to the Participant or, in the event of his or her death, his or her Beneficiary, in a lump sum within sixty (60) days following the date of termination.

(b) Additionally, the EDCP Committee may amend, modify or suspend the Plan in whole or in part, provided that such amendment, modification or suspension does not have a material adverse financial effect on the Company or the Plan and except that (i) no amendment, modification or suspension shall have any retroactive effect to reduce any amounts allocated to a Participant's Accounts, and (ii) Section 8.1 may not be amended with respect to any Participant or Beneficiary following the date the Participant or Beneficiary makes a claim for benefits under the Plan.

8. Except as herein amended, the Plan shall continue in full force and effect in accordance with the terms and conditions thereof.

This Fourth Amendment to the Plan is hereby executed by a duly authorized officer of Harrah's Entertainment, Inc., effective as of July 1, 2006 (except as otherwise provided herein).

By: _____

Its: _____

**AMENDMENT TO
CAESARS ENTERTAINMENT, INC.
2004 LONG TERM INCENTIVE PLAN**

THIS AMENDMENT TO CAESARS ENTERTAINMENT, INC. 2004 LONG TERM INCENTIVE PLAN, dated as of June 13, 2005, is made and adopted by Harrah's Operating Company, Inc. ("Harrah's Operating Company"), a Delaware corporation and a wholly owned subsidiary of Harrah's Entertainment, Inc., a Delaware corporation. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to them in the Plan (as defined below).

WHEREAS, Harrah's Operating Company previously entered into that certain Agreement and Plan of Merger, dated as of July 14, 2004 (the "Agreement"), pursuant to which Caesars Entertainment, Inc., a Delaware corporation ("Caesars"), upon the terms and subject to the conditions set forth in the Agreement, merged with and into Harrah's Operating Company, with Harrah's Operating Company as the surviving entity (the "Merger");

WHEREAS, Caesars maintains the Caesars Entertainment, Inc. 2004 Long Term Incentive Plan (the "Plan");

WHEREAS, pursuant to Section 8(d) of the Plan, the Board of Directors of the Company may at any time amend the Plan;

WHEREAS, Harrah's Operating Company, as successor to Caesars, desires to amend the Plan as set forth herein; and

WHEREAS, this Amendment was adopted by the Special Plan Amendment Committee of Harrah's Operating Company on June 13, 2005.

NOW, THEREFORE, in consideration of the foregoing, Harrah's Operating Company hereby amends the Plan as follows, effective as of immediately after the consummation of the Merger:

1. Section 2(d) of the Plan is hereby amended and restated in its entirety as follows:

“(d) ‘Change in Control’ means and includes each of the following:

(1) the acquisition, directly or indirectly, by any ‘person’ or ‘group’ (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Exchange Act and the rules thereunder) of ‘beneficial ownership’ (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors (‘voting securities’) of the Company that represent 25% or more of the combined voting power of the Company’s then outstanding voting securities, other than

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(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(B) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (3) below that would not be a Change in Control under clause (3);

Notwithstanding the foregoing, neither of the following events shall constitute an ‘acquisition’ by any person or group for purposes of this subsection (d): an acquisition of the Company’s securities by the Company which causes the Company’s voting securities beneficially owned by a person or group to represent 25% or more of the combined voting power of the Company’s then outstanding voting securities; *provided, however*, that if a person or group shall become the beneficial owner of 25% or more of the combined voting power of the Company’s then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change in Control; or

(2) during any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in clauses (1) or (3) of this subsection (d)) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(3) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or

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substantially all of the Company's assets or (z) the acquisition of assets or stock of another entity, in each case other than a transaction

(A) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the 'Successor Entity')) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(B) after which no person or group beneficially owns voting securities representing 25% or more of the combined voting power of the Successor Entity; *provided, however*, that no person or group shall be treated for purposes of this clause (B) as beneficially owning 25% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(4) the Company's stockholders approve a liquidation or dissolution of the Company.

The Committee shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

2. Section 2(f) of the Plan is hereby amended and restated in its entirety as follows:

“(f) ‘Committee’ means the Human Resources Committee of the Board; *provided, however* that the Human Resources Committee may delegate to a committee of one or more members of the Board the authority to grant or amend Awards to Grantees other than (i) senior executives of the Company who are subject to Section 16 of the Exchange Act or (ii) Covered Employees. The Committee shall consist of at least two individuals, each of whom qualifies as (i) a member of the Board who qualifies as a “Non-Employee Director” as defined in Rule 16b-3(b)(3) of the Exchange Act, or any successor definition adopted by the Board, and (ii) an “outside director” pursuant to Code Section 162(m) and the regulations issued thereunder. Reference to the Committee shall refer to the Board if the Human Resources Committee ceases to exist and the Board does not appoint a successor Committee.”

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3. Section 2(g) of the Plan is hereby amended and restated in its entirety as follows:

“(g) ‘Company’ means Harrah's Entertainment, Inc., a Delaware corporation.”

4. Section 2(k) of the Plan is hereby amended and restated in its entirety as follows:

“(k) ‘Fair Market Value’ means, as of any given date, the fair market value of a share of Stock on the immediately preceding date determined by such methods or procedures as may be established from time to time by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of a share of Stock as of any date shall be the average of the high and low trading prices for a share of Stock as reported on the New York Stock Exchange (or on any national securities exchange on which the Stock is then listed) for the immediately preceding date or, if no such prices are reported for that date, the average of the high and low trading prices on the next preceding date for which such prices were reported.”

5. Section 2(aa) of the Plan is hereby amended to delete the amount “\$0.01” appearing therein and to substitute the amount “\$0.10” therefor.

6. The following new Section 2(dd) is hereby added to the Plan:

“(dd) ‘Cause’ means as follows (references in this definition to the male gender include the female gender):

(1) A Grantee's willful failure to perform substantially his or her duties or to follow a lawful reasonable directive from his or her supervisor (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to him or her by his or her supervisor which specifically identifies the manner in which his or her supervisor believes that he or she has not substantially performed his or her duties or to follow a lawful reasonable directive and he or she is given a reasonable opportunity (not to exceed thirty (30) days) to cure any such failure to substantially perform, if curable;

(2) (A) Any willful act of fraud, or embezzlement or theft by a Grantee, in each case, in connection with his or her duties to the Company or in the course of his or her employment with the Company or (B) a Grantee's admission in any court, or conviction of, a felony involving moral turpitude, fraud, or embezzlement, theft or misrepresentation, in each case, against the Company;

(3) A Grantee being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in any state or territory in which the Company may operate; or

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(4) (A) A Grantee's willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002 if applicable to the Grantee, *provided* that such violation or noncompliance resulted in material economic harm to the Company, or (B) a final judicial order or determination prohibiting a Grantee from service as an officer pursuant to the Exchange Act and the rules of the New York Stock Exchange.

For purposes of this subsection (dd), no act or failure to act on a Grantee's part shall be considered "willful" unless it is done, or omitted to be done, by the Grantee in bad faith and without reasonable belief that his or her action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based on a directive from the Grantee's supervisor or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Grantee in good faith and in the best interests of the Company. Any other rights of a Grantee regarding termination for cause that are contained in a written agreement between the Company and the Grantee shall be preserved."

7. The following new Section 2(ee) is hereby added to the Plan:

"(ee) 'Harrah's Merger Agreement' shall mean that certain Agreement and Plan of Merger, dated as of July 14, 2004, pursuant to which Caesars Entertainment, Inc., a Delaware corporation, merged with and into Harrah's Operating Company, Inc., a Delaware corporation and a wholly owned subsidiary of the Company, with Harrah's Operating Company, Inc. as the surviving entity."

8. The following new section 2(ff) is hereby added to the Plan:

"(ff) 'Harrah's Merger Effective Time' shall mean the effective time of the merger (the "Merger") pursuant to the Harrah's Merger Agreement."

9. The first sentence of Section 4 of the Plan is hereby amended and restated in its entirety as follows:

"Awards may be granted to selected directors, officers, employees or consultants of the Company, any Subsidiary of the Company or any Related Entity, in the discretion of the Committee, other than individuals who, immediately prior to the Harrah's Merger Effective Time, were employed by or served as directors or consultants to the Company or entities that were subsidiaries of the Company immediately prior to the Harrah's Merger Effective Time."

10. Section 5 of the Plan is hereby amended as follows:

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a. The first sentence of Section 5 of the Plan is hereby amended to add the phrase "Prior to the Harrah's Merger Effective Time," to the beginning of the sentence.

b. The following new paragraph is hereby added following the first paragraph of Section 5 of the Plan:

"Immediately after the Harrah's Merger Effective Time, the number of shares of Stock preserved for the grant of Awards under the Plan, the maximum number of shares of Stock that may be made subject to Options granted to a single individual in a single Plan Year, and the maximum number of shares of Stock that may be made subject to stock-based awards other than Options granted to a single individual in a single Plan Year shall be adjusted to reflect the Merger."

11. The following new paragraph is hereby added to the end of Section 5 of the Plan:

"Effective immediately after the Harrah's Merger Effective Time, the outstanding Awards under this Plan shall be adjusted to reflect the Merger, as provided by the Harrah's Merger Agreement."

12. Section 7 of the Plan is hereby amended and restated in its entirety as follows:

"If a Change in Control occurs, a Grantee's Awards are converted, assumed, or replaced by a successor, and the Grantee's employment with the Company or any Subsidiary is terminated without Cause within 24 months following the date of the Change in Control, such Awards shall become fully exercisable and all forfeiture restrictions on such Awards shall lapse. If a Change in Control occurs and a Grantee's Awards are not converted, assumed, or replaced by a successor, such Awards shall become fully exercisable and all forfeiture restrictions on such Awards shall lapse. Upon, or in anticipation of, a Change in Control, the Committee may cause any and all Awards outstanding hereunder to terminate at a specific time in the future and shall give each Grantee the right to exercise such Awards during a period of time as the Committee, in its sole and absolute discretion, shall determine. In the event that the terms of any agreement between the Company or any Company subsidiary or affiliate and a Grantee contains provisions that conflict with and are more restrictive than the provisions of this Section 7, this Section 7 shall prevail and control and the more restrictive terms of such agreement (and only such terms) shall be of no force or effect."

13. The following sentence is hereby added to the end of Section 8(d)(ii) of the Plan:

"Effective immediately after the Harrah's Merger Effective Time, the Special Plan Amendment Committee of Harrah's Operating Company, Inc. shall have the power to amend this Plan as the Special Plan Amendment Committee deems necessary or desirable

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to facilitate the integration of Caesars Entertainment, Inc. with Harrah's Operating Company, Inc. pursuant to the Merger.”

14. This Amendment shall be and is hereby incorporated in and forms a part of the Plan.
15. All other terms and provisions of the Plan shall remain unchanged except as specifically modified herein.
16. The Plan, as amended by this Amendment, is hereby ratified and confirmed.

[SIGNATURE PAGE FOLLOWS]

I hereby certify that the foregoing Amendment was duly adopted by the Special Plan Amendment Committee of Harrah's Operating Company, Inc. on June 13, 2005.

By: _____

Name: Stephen H. Brammell

Title: Senior Vice President, General Counsel and
Corporate Secretary

**AMENDMENT TO
THE HARRAH'S ENTERTAINMENT, INC.
EXECUTIVE DEFERRED COMPENSATION PLAN**

WHEREAS, Harrah's Entertainment, Inc., a Delaware corporation (the "Company") maintains the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan (the "Plan");

WHEREAS, the Plan was amended to cease all deferrals of Compensation (as defined in the Plan) effective as of March 31, 2001;

WHEREAS, certain portions of certain Accounts (as defined in the Plan) are subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, the Company now wishes to amend the Plan to comply with the requirements of Sections 409A(a)(2), (3) and (4) of the Code with respect to such portions of such Accounts;

WHEREAS, Section 9.1(b) of the Plan provides that the EDCP Committee (as defined in the Plan) has the right to make administrative amendments to the Plan, subject to limitations set forth in the Plan;

WHEREAS, the EDCP Committee has approved the adoption of this Amendment to the Plan.

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended, effective as of January 1, 2005, as follows:

1. Article II of the Plan is hereby amended to add new Sections 2.5A and 2.9A to read as follows:

2.5A **Code.** 'Code' means the Internal Revenue Code of 1986, as amended.

2.9A **Disabled.** A Participant shall be considered 'Disabled' if the Participant is disabled, within the meaning of Section 409A(a)(2)(C) of the Code and the Treasury Regulations thereunder.

2. Section 2.13(a)(2) of the Plan is hereby amended to read in its entirety as follows:

(2) The interest rate applicable to a Post-1995 Termination Account on each monthly Determination Date shall be the greater of one-twelfth (1/12) of the rate approved by the Board prior to January 1 of each Plan year (for Plan years prior to 2005) or one-twelfth (1/12) of the Citibank Prime Rate at the beginning of each calendar quarter during the Plan year. The rate to be approved by the Board shall be submitted by the Company management to the Board for review and approval prior to January 1 of each Plan year. For Plan years after 2004, the

interest rate applicable to a Post-1995 Termination Account on each monthly Determination Date shall be one-twelfth (1/12) of the Citibank Prime Rate at the beginning of each calendar quarter during the Plan year.

3. Section 2.13(b)(2) of the Plan is hereby amended to read in its entirety as follows:

(2) The effective annual yield applicable to a Post-1995 Retirement Account shall be determined prior to January 1 of each year (for years prior to 2005) and be effective for the calendar year following the date it is determined; such rate shall be submitted to Company management for review and approval by the Board prior to January 1 each year, provided that the annual yield under this paragraph 2.13(b)(2) for each calendar year for a Post-1995 Retirement Account shall not in any event be less than 150% of the annual average of Moody's for such year. For years after 2004, the effective annual yield applicable to a Post-1995 Retirement Account shall be 150% of the annual average of Moody's for such year. If a Participant or Beneficiary receives full payment prior to a calendar year end, the foregoing minimum annual yield for such year (for years prior to 2005), or the foregoing annual yield (or years after 2004), will be the Moody's average for the full months the funds were held by the Plan during the calendar year (or during the prior year if the payment occurs before one full month has been calculated in a calendar year).

4. Section 2.17 of the Plan is hereby amended to read in its entirety as follows:

2.17 **Retirement.**

(a) Except as provided in subsection (b), 'Retirement' for an employee Participant means termination of Employment with the Employer on or after the earlier of the date the Participant attains age fifty five (55) with ten (10) years of credited service or on or after the date the Participant attains age sixty (60). For purposes of this definition, years of credited service will be credited in accordance with the provisions of the Company's Savings and Retirement Plan; provided, however, for a Participant who is age 50 or older upon termination of employment (or termination of salary continuation if salary continuation is given to such Participant) and who has or receives an executive employment agreement with the Company or with one of its subsidiaries, 'Retirement' shall also mean involuntary termination without cause (as cause is defined in said employment agreement) on or after the date such Participant's combined age and years of credited service (which for this purpose includes any period of salary continuation) equals 65 or more.

(b) For purposes of Section 5.2(b), 'Retirement' for an employee Participant means such Participant's Separation from Service on or after the earlier of the date the Participant attains age fifty five (55) with ten (10) years of credited service or on or after the date the Participant attains age sixty (60); provided, however, for a Participant who is age 50 or older upon Separation from Service and who has or receives an executive employment agreement with

the Company or with one of its subsidiaries, 'Retirement' shall also mean involuntary Separation from Service without cause (as cause is defined in said employment agreement) on or after the date such Participant's combined age and years of credited service equals 65 or more.

(c) For purposes of the definition in this Section 2.17, years of credited service will be credited in accordance with the provisions of the Company's Savings and Retirement Plan. The Board reserves the right to provide different retirement requirements for different Participants. Unless otherwise determined by the Chief Executive Officer of the Company, a Participant who is or was an employee of an acquired subsidiary of the Company will also receive credit under this Plan for his or her prior years of credited service with the acquired subsidiary which service was accrued immediately prior to the acquisition of such subsidiary provided the Participant attains the status of an employee of the Company or a Company subsidiary (directly or indirectly owned by the Company) as a result of the acquisition and continues in such employment until his or her participation in this Plan commences. The determination of such credited service will be made by the Company's Corporate Compensation Department and the Participant's years of credited service under the acquired subsidiary's qualified pension or retirement plan may be used for this purpose.

5. Article II of the Plan is hereby amended to add new Sections 2.17A, 2.17B, 2.17C and 2.17D to read as follows:

2.17A Section 409A Change in Control. A 'Section 409A Change in Control' with respect to a Participant means any Change or Control, as defined in Section 2.4, that constitutes a change in the ownership or effective control of the corporation, or a change in the ownership of a substantial portion of the assets of the corporation, within the meaning of Section 409A(a)(2)(A)(v) of the Code and the Treasury Regulations thereunder.

2.17B Section 409A Unforeseeable Emergency. 'Unforeseeable Emergency' of a Participant means a severe financial hardship to the Non-Grandfathered Participant resulting from: (a) an illness or accident of the Non-Grandfathered Participant, the Non-Grandfathered Participant's spouse, or a dependent (as defined in Section 152(a) of the Code) of the Non-Grandfathered Participant, (b) a loss of the Non-Grandfathered Participant's property due to casualty, or (c) other similar extraordinary or unforeseeable circumstances arising as a result of events beyond the control of the Non-Grandfathered Participant. For purposes of this Section, a Non-Grandfathered Participant's 'Unforeseeable Emergency' shall be determined in accordance with Section 409A(a)(2)(B)(ii)(I) of the Code and the Treasury Regulations thereunder.

2.17C Separation from Service. 'Separation from Service' of a Participant means his or her 'separation from service,' with respect to the Employer, within the meaning of Section 409A(a)(2)(A)(i) of the Code and Treasury Regulations thereunder. The EDCP Committee shall have full and final

authority to determine conclusively whether a Participant has had a 'Separation from Service,' and the date of such 'Separation from Service.'

2.17D Specified Employee. 'Specified Employee' means, with respect to the Employer, a 'key employee,' as defined in Section 416(i) of the Code (determined without regard to paragraph (5) thereof) of the corporation, any stock in which is publicly traded on an established securities market or otherwise, within the meaning of Section 409A(a)(2)(B)(i) of the Code and the Treasury Regulations thereunder.

6. Article IV of the Plan is hereby amended to add new Section 4.7 to read as follows:

4.7 Application of Code Section 409A. The requirements of Sections 409A(a)(2), (3) and (4) of the Code shall be applied to the Account as follows:

(a) **Termination Accounts.** Each Participant's Termination Account was earned and vested in full as of December 31, 2004, and each such Termination Account, as increased for interest credits thereto under the Plan, is not subject to Section 409A of the Code.

(b) **Retirement Accounts; Subaccounts.**

(1) If a Participant's Retirement, Total and Permanent Disability or Death occurred on or before December 31, 2004, or such Participant was eligible for Retirement as of December 31, 2004, such Participant's Retirement Account was earned and vested in full as of December 31, 2004, and such Participant's Retirement Account, as increased by interest credits thereto under the Plan, is not subject to Section 409A of the Code.

(2) If a Participant is not described in paragraph (1) (a 'Non-Grandfathered Participant'), (A) the portion of such Participant's Retirement Account balance that is equal to the balance credited to such Participant's Termination Account, as determined from time to time (the '**Grandfathered Subaccount Balance**'), was earned and vested as of December 31, 2004, and is not subject to Section 409A of the Code, and (B) the portion of such Participant's Retirement Account balance that is in excess of the balance of such Participant's Termination Account, as determined from time to time (the '**Section 409A Subaccount Balance**') was not earned and vested as of December 31, 2004, and is subject to Section 409A of the Code.

(3) In the case of a Non-Grandfathered Participant, the EDCP Committee shall maintain with respect to such Non-Grandfathered Participant's Pre-1996 and/or Post-1995 Retirement Account: (A) a 'Grandfathered Subaccount,' to which shall be credited such Participant's Grandfathered Subaccount Balance, and

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(B) a 'Section 409A Subaccount' to which shall be credited such Participant's Section 409A Subaccount Balance.

(c) **Compliance with Code Section 409A.** A Non-Grandfathered Participant's Section 409A Subaccount shall be distributed in accordance with the requirements of Sections 409A(a)(2), (3) and (4) of the Code and the Treasury Regulations thereunder, notwithstanding any other provision of the Plan to the contrary.

7. Section 5.1(c) of the Plan is hereby amended to add new paragraph (4) at the end thereof:

(4) Notwithstanding the foregoing, a Non-Grandfathered Participant may not receive a lump sum distribution under this subsection 5.1(c) from the Section 409A Subaccount of his or her Retirement Account.

8. Section 5.2 of the Plan is hereby amended to read in its entirety as follows:

5.2 Retirement Benefit.

(a) The Employer shall pay a Plan Benefit equal to the amount of the Participant's respective Pre-1996 and/or Post-1995 Retirement Account (less that portion of the Plan Benefit, if any, payable from a Non-Grandfathered Participant's Section 409A Subaccount therein) to each Participant who terminates Employment:

- (1) by reason of Retirement,
- (2) by reason of Total and Permanent Disability,
- (3) within a twenty-four (24) month period after a Change of Control,
- (4) while participating as a director Participant and terminates from Employment on the Employer's Board due to:
 - (A) not being re-elected as a director,
 - (B) Total and Permanent Disability, or
 - (C) termination within a twenty-four (24) month period after a Change of Control.

(5) for Participants who are entitled to the Retirement Account rate and who retired or terminated active service after October 29, 1992 and on or before December 31, 1992, such rate will be locked-in at 16.5% until such Participant's account is fully distributed.

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(6) for Participants who are entitled to the Retirement Account rate who retired or terminated active service during 1993, such rate will be locked-in at 16% until such Participant's account is fully distributed.

(7) for Participant's who are entitled to the Retirement Account rate and who retired or terminated active service during 1994 or 1995, such rate will be locked-in at the retirement rate approved for that year (15.5%) until such Participant's account is fully distributed.

(8) for Participants whose active service ceased before October 29, 1992, and at that time were already receiving the Retirement Account rate, the rate each such Participant will receive in 1993, 1994 and 1995 will be the approved retirement rate for each such year, provided that for years after 1995 the retirement rate will be locked-in at the rate approved for 1995 (15.5%) until such Participant's account is fully distributed.

(b) The Employer shall pay a Plan Benefit equal to the amount of a Non-Grandfathered Participant's Section 409A Subaccount of the Participant's respective Pre-1996 and/or Post-1995 Retirement Account to such Non-Grandfathered Participant upon:

- (1) such Non-Grandfathered Participant's Separation from Service by reason of Retirement,
- (2) the date such Non-Grandfathered Participant becomes Disabled, if such Non-Grandfather Participant becomes Disabled prior to having a Separation from Service,
- (3) such Non-Grandfathered Participant's Separation from Service within a twenty-four (24) month period after a Section 409A Change in Control, or

(4) in the case of a Non-Grandfathered Participant who is a director Participant, such Non-Grandfathered Participant's Separation from Service by reason of not being re-elected as a director.

9. Section 5.5 of the Plan is hereby amended to read in its entirety as follows:

5.5 Disability Benefits.

(a) If a Participant terminates Employment by reason of Total and Permanent Disability, the amount payable under Section 5.2(a)(2) shall equal the Retirement Account balance (less the balance, if any, of such Participant's Section 409A Subaccount therein).

(b) If a Non-Grandfathered Participant becomes Disabled prior to having a Separation from Service, the amount payable under Section 5.2(b)(2)

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shall equal the balance of such Non-Grandfathered Participant's Section 409A Subaccount in his or her Retirement Account.

10. Section 5.6 of the Plan is hereby amended to read in its entirety as follows:

5.6 Hardship Distributions. Upon finding that the Participant has suffered a Hardship, the EDCP Committee may, in its sole discretion, allow distributions from the Participant's Account prior to the time otherwise specified for payment of benefits under the Plan. The amount of such distribution shall be limited to the amount reasonably necessary to meet the Participant's requirements during the Hardship. The amount of such distribution shall reduce the Termination Account balance and Retirement Account balance. Notwithstanding the foregoing, a Non-Grandfathered Participant shall not be allowed a distribution under this Section from the Section 409A Subaccount in his or her Retirement Account.

11. Article V of the Plan is hereby amended to add new Section 5.6A to read in its entirety as follows:

5.6A Distributions upon Section 409A Unforeseeable Emergency. Upon finding that a Non-Grandfathered Participant has suffered a Section 409A Unforeseeable Emergency, the EDCP Committee shall allow distributions from such Non-Grandfathered Participant's Section 409A Subaccount in his or her Retirement Account prior to the time otherwise specified for payment of benefits under the Plan. The amount of such distribution shall not exceed the amounts necessary to satisfy such Section 409A Unforeseeable Emergency, plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such Section 409A Unforeseeable Emergency is or may be relieved through reimbursement of compensation by insurance or otherwise or by liquidation of the Non-Grandfathered Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). The distribution allowed to the Non-Grandfathered Participant shall be determined in accordance with Section 409A(a)(2)(B)(ii) (II) of the Code and the Treasury Regulations thereunder.

12. Section 5.7 of the Plan is hereby amended to read in its entirety as follows:

5.7 Form of Benefit Payment. The Plan Death Benefit payable under paragraph 5.4(a)(ii) of this Plan shall be paid within 90 days of death in a lump sum with no interest accruing from the date of death until the date of payment. The Plan Retirement Benefit, Death Benefit payable under paragraph 5.4(a)(i) or 5.4(c), Disability Benefits, and Termination Benefit shall be paid in one of the following forms as elected by the Participant in the Participation Agreement:

(a) Equal monthly installments of the Account and Interest amortized over a period of time elected by the Participant and approved by the Company. Interest shall be credited to the remaining portion of the

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Account Balance in accordance with paragraph 4.5. If the Participant is receiving a Retirement Account, Interest shall be equal to an amount in accordance with paragraph 2.13(b). If the Participant is receiving the Termination Account, Interest shall be equal to an amount in accordance with paragraph 2.13(a); and/or

(b) A lump sum payment.

(c) Any other form selected by the Participant, which has written approval of the EDCP Committee.

(d) If the Participant fails to elect the form of benefit payment, the benefits shall be paid in accordance with 5.7(a) over a period of fifteen (15) years. However, the EDCP Committee may, in its sole discretion, provide for an alternate form of benefit payment to the Participant, if payment is made pursuant to paragraph 5.2(c) or 5.2(d)(iii); provided, however, that, in the case of a Non-Grandfathered Participant, the EDCP Committee shall not provide for an alternate form of benefit payment of such Non-Grandfathered Participant's Section 409A Subaccount in his or her Retirement Account.

(e) If a Plan Death Benefit is payable in installments under paragraph 5.4(a)(i), the EDCP Committee may, in its sole discretion, determine that payment of the Death Benefit shall be accelerated and paid in a lump sum to the Beneficiary; provided,

however, that, in the case of a Non-Grandfathered Participant, the EDCP Committee shall not accelerate and pay the Section 409A Subaccount in the Non-Grandfathered Participant's Retirement Account in a lump sum to the Beneficiary.

13. Section 5.9 of the Plan is hereby amended to read in its entirety as follows:

5.9 Commencement of Payments.

(a) Except as provided in subsection (b), payment shall commence at the discretion of the Company, but not later than sixty (60) days after the end of the month in which the Participant Retires, dies, becomes Totally and Permanently Disabled or otherwise terminates Employment with the Employer and is entitled to payment pursuant to his or her Participation Agreement. For purposes of this paragraph 5.9, termination of Employment shall include when a Participant is no longer entitled to any payments of salary or salary continuation.

(b) Payment of a Non-Grandfathered Participant's Section 409A Subaccounts shall not commence prior to the earliest of: (i) such Non-Grandfathered Participant's Separation from Service, (ii) such Non-Grandfathered Participant's death, or (iii) the date such Participant becomes Disabled; provided, however, that in the case of a Non-Grandfathered Participant who is a Specified Employee, the payment of such Non-Grandfathered Participant's Section 409A

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Subaccount shall not be made before the date which is six months after the date of Non-Grandfathered Participant's Separation from Service (or, if earlier, the date of such Non-Grandfathered Participant's death) in accordance with Section 409A(a)(2)(B)(i) of the Code and the Treasury Regulations thereunder.

14. Article VIII of the Plan is hereby amended to read in its entirety as follows:

**ARTICLE VIII
CLAIMS REVIEW PROCEDURE**

8.1 General

(a) A Participant or Beneficiary who believes that he or she has not received the benefits to which he or she is entitled may assert a claim for benefits under the Plan in accordance with the claims procedure of this Article VIII. The claims procedure of this Article VIII shall be applied in accordance with Section 503 of ERISA and Department of Labor Regulation Section 2560.503-1. A Participant or Beneficiary may assert a benefit claim, or appeal the denial of a benefits claim, through such Participant's or Beneficiary's authorized representative, provided that such Participant or Beneficiary has submitted a written notice evidencing the authority of such representative to the EDCP Committee. A Participant or Beneficiary asserting a benefits claim shall be referred to as a "Claimant" under this Article VIII.

(b) A Claimant shall submit his or her benefits claim under the Plan in writing to the EDCP Committee. The Claimant may include documents, records or other information relating to the benefits claim for review by the EDCP Committee in connection with such benefits claim.

8.2 Benefit Determination.

(a) The EDCP Committee shall review the Claimant's benefits claim (including any documents, records or other information submitted with such benefits claim) and determine whether such benefits claim shall be approved or denied in accordance with the Plan.

(b) In the event that a Claimant's benefits claim is wholly or partially denied, the EDCP Committee shall provide to the Claimant with written notice of the denial within a reasonable period of time, but not later than ninety (90) days after the receipt of the benefits claim by the EDCP Committee, unless the EDCP Committee determines that special circumstances require an extension of time for making a determination with respect to the benefits claim. If the EDCP Committee determines that an extension of time for making a determination with respect to the benefits claim is required, the EDCP Committee shall provide the Claimant with written notice of such extension prior to the end of the initial ninety (90) day period. The extension of time shall not exceed a period of ninety (90) days from the end of such initial period. The extension

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notice shall indicate the special circumstances requiring the extension of time and the date by which the EDCP Committee expects to render the benefit determination.

(c) The notice of denial of the Claimant's benefits claim shall set forth:

- (1) the specific reason or reasons for the denial;
- (2) references to specific Plan provisions on which the denial is based;

(3) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why the material or information is necessary; and

(4) a description of the Plan's appeal procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following a denial of the appeal of the denial of the benefits claim.

(d) The Claimant may appeal any denial of the benefits claim in writing to the EDCP Committee within sixty (60) days after receipt of the EDCP Committee's notice of denial of benefits claim. The Claimant's failure to appeal the denial of the benefits claim by the EDCP Committee in writing within the sixty (60) day period shall render the EDCP Committee's determination final, binding, and conclusive.

8.3 Appeals.

(a) A Claimant may appeal the denial of a benefits claim to the EDCP Committee. The EDCP Committee shall review the appeal of the denial of the benefits claim and make a final determination as to whether the benefits claim should be approved or denied in accordance with the Plan.

(b) The Claimant shall be afforded the opportunity to submit written comments, documents, records, and other information relating to the benefits claim, and the Claimant shall be provided, upon request and free of charge, reasonable access to all documents, records, and other information relevant to the Claimant's benefits claim. A document, record or other information shall be considered "relevant" to the benefits claim, as provided in Department of Labor Regulation Section 2560.503-1(m)(8). The review on appeal by the EDCP Committee shall take into account all comments, documents, records, and other information submitted by the Claimant, without regard to whether such information was submitted or considered in the EDCP Committee's initial determination with respect to the benefits claim. The EDCP Committee shall advise the Claimant in writing of the EDCP Committee's determination of the appeal within sixty (60) days of the claimant's written request for review,

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unless special circumstances (such as a hearing) would make the rendering of a determination within the sixty (60) day period infeasible, but in no event shall the EDCP Committee render a determination regarding the denial of a claim for benefits later than one hundred twenty (120) days after its receipt of a request for review. If an extension of time for review is required because of special circumstances, written notice of the extension shall be furnished to the Claimant prior to the date the extension period commences.

(c) The notice of denial of the Claimant's appeal of the denial of the Claimant's benefit claim shall set forth:

(1) the specific reason or reasons for the denial of the appeal;

(2) reference to the specific Plan provisions on which the denial of the appeal is based;

(3) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the Claimant's benefits claim (and a document, record or other information shall be considered "relevant" to the benefits claim, as provided in Department of Labor Regulation Section 2560.503-1(m)(8)); and

(4) a statement describing Claimant's right to bring an action under ERISA Section 502(a).

(d) If, upon appeal, the EDCP Committee shall grant the relief requested by the Claimant, then, in addition, the EDCP Committee shall award to the Claimant reasonable fees and expenses of counsel, or any other duly authorized representative of Claimant, which shall be paid by the Company. The determination as to whether such fees and expenses are reasonable shall be made by the Company in its sole and absolute discretion and such determination shall be binding and conclusive on all parties.

8.4 Notice of Denials. The EDCP Committee's notice of denial of a benefits claim shall identify the address to which the Claimant may forward his appeal.

15. Section 10.8 of the Plan is hereby amended to read in its entirety as follows:

10.8 Governing Law. The provisions of this Plan shall be construed and interpreted in accordance with the Employee Retirement Income Security Act of 1974, as amended and, to the extent applicable, the laws of the State of Nevada.

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16. Nothing in this Amendment shall modify the Plan with respect to a Participant's Account (or any portion thereof) that was earned and vested as of December 31, 2004 and is not subject to Section 409A of the Code.

17. Except as herein amended, the Plan shall continue in full force and effect in accordance with the terms and conditions thereof.

HARRAH'S ENTERTAINMENT, INC.

By: _____

Name: _____

Title: _____

**EIGHTH AMENDMENT
TO THE
CAESARS ENTERTAINMENT
401(k) SAVINGS PLAN**

WHEREAS, the Caesars Entertainment 401(k) Savings Plan (the "Plan") is maintained by Harrah's Operating Company, Inc.;

WHEREAS, Section 13.1(a) of the Plan provides that the Vice President-Compensation, Benefits and HRSS of Harrah's Entertainment, Inc. or the Vice President of Benefits of Harrah's Entertainment, Inc. has the power to amend the Plan to bring it into conformity with legal requirements or to improve the administration of the Plan, provided that no such amendments may involve an increase in the cost for benefits under the Plan;

WHEREAS, it is necessary to amend the Plan to reflect changes resulting from the employment by Harrah's Imperial Palace Corp. of certain individuals in connection with the acquisition of certain assets pursuant to the Agreement for Purchase and Sale, dated as of August 22, 2005, by and among Imperial Palace, LLC and Harrah's Operating Company, Inc.;

WHEREAS, such amendment is not expected to involve an increase in the cost for benefits under the Plan.

NOW, THEREFORE, the Plan is hereby amended as follows, effective as of December 23, 2005:

1. By adding the following as new Section 1.49A(i) of the Plan:

"(i) (I) Any Imperial Palace Participant's service with Imperial Palace, LLC or recognized by the Imperial Palace Plan that occurred prior to December 23, 2005 (without regard to any Breaks in Service) shall be treated as employment as an Employee for purposes of calculating 'Six Months of Eligibility Service' under the Plan; provided however that any such individual must be actually employed by an Employer to become an Eligible Employee in the Plan."

(II) For any Imperial Palace Participant who is employed by an Employer on December 23, 2005, his service with:

(I) Harrah's Entertainment, Inc. or any entity that is treated as a member of its controlled group under Code Section 414(b), (c) and (m) that occurred prior to December 23, 2005 (without regard to any Breaks in Service) and

(II) Caesars Entertainment, Inc. or any entity that is treated as a member of its controlled group under Code Section 414(b), (c) and (m) that occurred prior to June 13, 2005 (without regard to any Breaks in Service)

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shall be treated as employment as an Employee for purposes of calculating 'Six Months of Eligibility Service' under the Plan; provided however that any such individual must be actually employed by an Employer to become an Eligible Employee in the Plan."

2. By adding the following as new Section 1.50(j) of the Plan:

"(j) (I) Any Imperial Palace Participant's service with Imperial Palace, LLC or recognized by the Imperial Palace Plan that occurred prior to December 23, 2005 (without regard to any Breaks in Service) shall be treated as employment as an Employee for purposes of calculating a 'Year of Service'.

(II) For any Imperial Palace Participant who is employed by an Employer on December 23, 2005, his service with:

(I) Harrah's Entertainment, Inc. or any entity that is treated as a member of its controlled group under Code Section 414(b), (c) and (m) that occurred prior to December 23, 2005 (without regard to any Breaks in Service) and

(II) Caesars Entertainment, Inc. or any entity that is treated as a member of its controlled group under Code Section 414(b), (c) and (m) that occurred prior to June 13, 2005 (without regard to any Breaks in Service)

shall be treated as employment as an Employee for purposes of calculating a 'Year of Service'."

3. By adding the following as new Section 1.54 of the Plan:

"1.54 'Imperial Palace Acquisition' means the acquisition of certain assets pursuant to the Agreement for Purchase and Sale, dated as of August 22, 2005, by and among Imperial Palace, LLC and Harrah's Operating Company, Inc."

4. By adding the following as new Section 1.55 of the Plan:

"1.55 'Imperial Palace Participant' means any Participant who is an Eligible Employee of Harrah's Imperial Palace Corp. on or after December 23, 2005."

5. By substituting the following for Section 3.2(a) and (b) of the Plan:

"(a) For each payroll period, the Employer may make a Matching Contribution to the Plan on behalf of each Participant who makes Salary Deferral Contributions and/or After Tax Contributions during such payroll period.

(i) (A) This rate of Matching Contribution applies exclusively to Imperial Palace Participants. If an Imperial Palace Participant who makes Salary Deferral Contributions is employed on the last day of a calendar quarter in a Plan Year (March 31st, June 30th, September 30th and December 31st), then he shall be allocated a Matching Contribution. The amount of the Matching Contributions to be made for such calendar quarter on behalf of Imperial Palace Participant shall equal 50% of the first four percent

of such Imperial Palace Participant's Compensation contributed as Salary Deferral Contributions for each of the payroll periods ending within such calendar quarter.

(B) This rate of Matching Contributions applies exclusively to Participants who are not Imperial Palace Participants. For each Participant who is not an Imperial Palace Participant, the amount of such Matching Contributions to be made on his behalf for a payroll period shall be equal to 50% of the first six percent of his Compensation contributed as Salary Deferral Contributions and/or After Tax Contributions in that payroll period.

(ii) If no Salary Deferral Contributions or After Tax Contributions are made on behalf of a Participant (including any Imperial Palace Participants) for a payroll period, then no Matching Contribution shall be made for such Participant for that payroll period.

(iii) Any Matching Contributions made hereunder shall be credited to the Participant's Matching Contribution Account.

(b) The provisions of this subsection (b) apply only to Participants who are not Imperial Palace Participants. Notwithstanding the provisions of Section 3.2(a), if (i) as of the first day of a Plan Year a Participant who is not an Imperial Palace Participant has completed at least five (5) Years of Service and (ii) he is employed by the Employer or any Affiliate on the last day of the Plan Year, he shall receive an additional Matching Contribution made on his behalf during such Plan Year pursuant to Section 3.2(a). For purposes of determining whether a Participant who is not an Imperial Palace Participant is entitled to receive an additional Matching Contribution pursuant to this Section 3.2(b), the calculation of his Years of Service shall begin on the first day of the first Plan Year coincident with or immediately following his Employment Commencement Date."

6. By substituting the following for the first sentence of Section 3.3(a) of the Plan:

"Each Participant who is not an Imperial Palace Participant may elect to contribute After Tax Contributions to the Plan."

7. By adding the following to the end of Section 3.4(a) of the Plan:

"Notwithstanding the above and subject to the rules established by the Administrative Committee, a Rollover Contribution may include a promissory note with respect to a loan under the Imperial Palace Plan if the Imperial Palace Participant also directly rolls over his Imperial Plan distribution to the Plan."

8. By adding the following as new Section 9.10 of the Plan:

"9.10 Imperial Palace Plan Loans. Any current outstanding loan under the Imperial Palace Plan that is directly rolled over to the Plan will continue to be held on the same terms as those contained in the original loan agreement between the Imperial Palace Participant and the Imperial Palace Plan, except that the Plan will be substituted as the obligee of the loan."

9. By adding "Harrah's Imperial Palace Corp." to Appendix A.

IN WITNESS WHEREOF, the undersigned officer of Harrah's Entertainment, Inc. hereby adopts this Eighth Amendment to the Plan on December 23, 2005.

By: _____

Nizar Jabara

Vice President-Compensation, Benefits and HRSS

**NINTH AMENDMENT
TO THE
CAESARS ENTERTAINMENT
401(k) SAVINGS PLAN**

WHEREAS, the Caesars Entertainment 401(k) Savings Plan (the "Plan") is maintained by Harrah's Operating Company, Inc. (the "Company"); and

WHEREAS, pursuant to Section 13.1 of the Plan, as revised by the Sixth Amendment, the Human Resources Committee of the Board of Directors of Harrah's Entertainment, Inc. (the "Committee") may amend the Plan at any time; and

WHEREAS, the Company has determined that, although Caesars Entertainment Retail, Inc. (formerly known as Park Place Entertainment Retail, Inc.) is not a member of the Company's control group, due to the increasing direction and control that Desert Palace, Inc. has over the individuals employed by Caesars Entertainment Retail, Inc., Desert Palace, Inc. is now the common law employer of Caesars Entertainment Retail, Inc. employees; and

WHEREAS, previously, the Caesars Entertainment Retail, Inc. employees were excluded from participation in the Plan pursuant to Sections 1.19 and 1.20 of the Plan as employees of a third party agency; and

WHEREAS, the Committee desires to amend the Plan at this time to allow Caesars Entertainment Retail, Inc. employees to participate in the Plan on a prospective basis, grant retroactive vesting credit for such employees for their service with Caesars Entertainment Retail, Inc., and grant retroactive service credit for such employees for purposes of the break in service rules under the Plan;

WHEREAS, the Company has determined that allowing Caesars Entertainment Retail, Inc. employees to participate in the Plan will not change the status of the Plan to a multiple employer plan since the Caesars Entertainment Retail, Inc. employees are common law employees of Desert Palace, Inc.;

NOW, THEREFORE, the Plan is hereby amended, effective May 5, 2006, as follows:

1.

Amend Section 1.19 to add the following sentence to its end: "Notwithstanding the foregoing, effective May 5, 2006, employees of Caesars Entertainment Retail, Inc. shall be considered Eligible Employees."

2.

Further, Caesars Entertainment Retail, Inc. employees shall be given credit for their service with Caesars Entertainment Retail, Inc. for purposes of vesting in Plan benefits.

3.

Finally, Caesars Entertainment Retail, Inc. employees shall be given credit for their service with Caesars Entertainment Retail, Inc. for purposes of the break in service rules under the Plan.

IN WITNESS WHEREOF, the undersigned officer of Harrah's Entertainment, Inc. hereby adopts this Ninth Amendment to the Plan on this 5th day of May, 2006.

By: _____
Nizar Jabara
Vice-President Compensation, Benefits, and HRSS

TENTH AMENDMENT
TO THE
CAESARS ENTERTAINMENT
401(k) SAVINGS PLAN

WHEREAS, The Restated Caesars Entertainment 401(k) Savings Plan (the "Plan") was adopted on March 22, 2001;

WHEREAS, Article XIII of the Plan, as revised by the Sixth Amendment to the Plan, provides that the Human Resources Committee of the Board of Directors of Harrah's Entertainment, Inc. has the power to amend the Plan;

WHEREAS, the First Amendment to the Plan was adopted on November 21, 2001;

WHEREAS, the Second Amendment to the Plan was adopted on December 31, 2002;

WHEREAS, the Third Amendment to the Plan was adopted on December 30, 2003;

WHEREAS, the Fourth Amendment to the Plan was adopted on December 30, 2004;

WHEREAS, the Fifth Amendment to the Plan was adopted on June 10, 2005;

WHEREAS, the Sixth Amendment to the Plan was adopted on December 13, 2005;

WHEREAS, the Seventh Amendment to the Plan was adopted on December 27, 2005;

WHEREAS, the Eight Amendment to the Plan was adopted on December 23, 2005;

WHEREAS, the Ninth Amendment to the Plan was adopted on May 5, 2006;

WHEREAS, it has been decided that it would be desirable to merge the Grand Casinos 401(k) Savings Plan (the "Grand Plan") into the Plan;

WHEREAS, it has also been decided to expand the reasons upon which a hardship distribution will be made as permitted under the final IRS 401(k) regulations; and

WHEREAS, it is necessary to amend the Plan in order to provide for (i) the merger of the Grand Plan into the Plan; and (ii) additional reasons upon which a participant will be deemed to have an immediate and heavy financial need for purposes of receiving a hardship distribution.

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Sections 7.6(a) is amended by: (a) deleting the word "and" at the end of subparagraph (iv) and (b) revising subparagraph (v) to read as follows:

“(v) Payment for burial or funeral expenses for the Participant’s deceased parent, spouse, child, or dependent; and”
2. A new subparagraph (vi) is added to Section 7.6(a) to read:

“(vi) Expenses for the repair of damage to a Participant’s principal residence that would qualify for the casualty deduction under Section 165 of the Code (determined without regard to whether the loss exceeds 10 percent of adjusted gross income).”

3. The following new Article XXVI is added to the Plan immediately following Article XXV to read:

“ARTICLE XXVI

SPECIAL PROVISIONS PERTAINING TO THE
MERGER OF THE GRAND CASINOS 401(k) SAVINGS PLAN INTO THE PLAN

26.1 General. Effective as of August 31, 2006, the Grand Casinos 401(k) Savings Plan (the "Grand Plan") shall be merged into the Plan so that all assets of the Grand Plan shall be transferred to the Plan for application under the terms of the Plan and the liabilities for benefits under the Grand Plan through August 31, 2006, shall be assumed by the Plan.

26.2 Transfer of Account Balances. In connection with the merger of the Grand Plan into the Plan, amounts reflecting the account balance in each account under the Grand Plan as of August 31, 2006 with respect to each participant under the Grand Plan as of such date shall be accounted for under the Plan in accordance with the following rules:

(a) Amounts transferred from the Grand Plan to this Plan consisting of a Participant's "salary deferral contribution account" (as such term is defined in the Grand Plan) shall be credited to such Participant's Salary Deferral Contribution Account under this Plan.

(b) Amounts transferred from the Grand Plan to this Plan consisting of a Participant's "matching contribution account" (as such term is defined in the Grand Plan) shall be credited to such Participant's Matching Contribution Account under this Plan.

(c) Amounts transferred from the Grand Plan to this Plan consisting of a Participant's "rollover contribution account" (as such term is defined in the Grand Plan) shall be credited to such Participant's Rollover Contribution Account under this Plan.

(d) Amounts transferred from the Grand Plan to this Plan consisting of a Participant's "after tax contribution account" (as such term is defined in the Grand Plan) shall be credited to such Participant's After Tax Contribution Account under this Plan.

(e) Amounts transferred from the Grand Plan to this Plan consisting of a Participant's "caesars old match subaccount" (as such term is defined in the Grand Plan) shall be credited to a separate subaccount established under such Participant's Matching Contribution Account under this Plan called the "Caesars Old Match Subaccount". Notwithstanding the provisions of Section 7.3, a Participant shall be fully vested at all times in his Caesars Old Match Subaccount.

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(f) Amounts transferred from the Grand Plan to this Plan consisting of a Participant's "caesars prior plan subaccount" (as such term is defined in the Grand Plan) shall be credited to a separate subaccount established under such Participant's Matching Contribution Account under this Plan called the "Caesars Prior Plan Subaccount". Notwithstanding the provisions of Section 7.3, a Participant shall be fully vested at all times in his Caesars Prior Plan Subaccount.

(g) Amounts transferred from the Grand Plan to this Plan consisting of a Participant's "vested match subaccount" (as such term is defined in the Grand Plan) shall be credited to a separate subaccount established under such Participant's Matching Contribution Account under this Plan called the "Vested Match Subaccount". Notwithstanding the provisions of Section 7.3, a Participant shall be fully vested at all times in his Vested Match Subaccount.

(h) Amounts transferred from the Grand Plan to this Plan consisting of a Participant's "catch-up contribution account" (as such term is defined in the Grand Plan) shall be credited to such Participant's Catch-Up Contribution Account under this Plan.

26.3 Distributions. The provisions of Article VII shall apply to any individual who has an account balance transferred from the Grand Plan to this Plan pursuant to this Article XXVI.

26.4 Special Withdrawal Rule for Participants with Caesars Prior Plan Subaccounts. A Participant who has a Caesars Prior Plan Subaccount under the Plan may elect to withdraw all or a portion of his Caesars Prior Plan Subaccount at any time.

26.5 Loans. Any outstanding loans transferred to the Plan from the Grand Plan will continue to be held on the same terms as those contained in the loan agreement between the Participant and the Grand Plan, except that the Plan will be substituted as the obligee of the loan.

26.6 Benefit Options. All applicable "benefit options" (within the meaning of Section 411(d)(6)(B)(ii) of the Code and the Treasury Regulations thereunder) that are attributable to any amounts transferred from the Grand Plan shall continue to apply with respect to such transferred amounts held under this Plan.

26.7 Restoration of Forfeitures. The provisions of Section 7.3(e) (relating to the restoration of forfeitures) shall apply to any individual who: (i) was a participant in the Grand Plan, (ii) terminated employment with a participating employer under the Grand Plan, prior to the time such individual's accounts under the Grand Plan are transferred to this Plan, (iii) received a distribution of his vested interest under the Grand Plan, (iv) was reemployed by the Employer prior to completing five (5) consecutive One Year Breaks in Service (including, for this purpose, any one year breaks in service that might have occurred under the Grand Plan), and (v) repays the full amount previously distributed to him within five years of the date he is reemployed by the Employer."

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4. Appendix A is amended to read as follows:

"APPENDIX A

Names of Employers & Locations

Each Employer listed below has adopted the Plan for all Eligible Employees at each of its locations unless indicated otherwise.

Parball Corporation (Bally's & Paris Las Vegas)

FHR Corporation
Flamingo Hilton – Laughlin, Inc.
Bally’s Park Place Inc. (New Jersey)
Atlantic City Country Club, Inc.
Caesars World, Inc.
Caesars World Business Services Corporation
Caesars World Entertainment, Inc.
Caesars World Merchandising, Inc.
Desert Palace, Inc. dba Caesars Palace LV
Boardwalk Regency Corporation (Caesars Atlantic City)
Bally’s Skyscraper, Inc. (Claridge Atlantic City)
Roman Holding Corporation of Indiana (Caesars Indiana)
Harrah’s Imperial Palace Corp.
Grand Casinos, Inc.
BL Development Corp. – Grand Tunica
Grand Casinos of Mississippi, Inc. – Grand Biloxi
Sheraton Tunica Corporation
Grand Casinos of Mississippi, LLC – Regional, Grand Gulf
Harrah’s Entertainment, Inc. – Effective January 1, 2006, the group of Eligible Employees consists solely of those salaried employees who perform services at any Grand Casinos property and who are required to be covered by this Plan in connection with the Agreement and Plan of Merger, dated July 14, 2004, of Caesars Entertainment, Inc. into Harrah’s Entertainment, Inc.”

5. Effective Dates.

- (a) The amendments made by paragraphs 1 and 2 shall be effective as of August 4, 2006.
- (b) The amendment made by paragraph 2 shall be effective as of August 31, 2006.

IN WITNESS WHEREOF, the undersigned officer of Harrah’s Entertainment, Inc. hereby adopts this Tenth Amendment to the Plan on this 21st day of September, 2006.

By: _____

Nizar Jabara

Vice President-Compensation, Benefits, and HRSS

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: November 8, 2006

By: /s/ GARY W. LOVEMAN

Gary W. Loveman

Chairman of the Board, Chief Executive Officer and President

I, Jonathan S. Halkyard, 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: November 8, 2006

By: /s/ JONATHAN S. HALKYARD

Jonathan S. Halkyard

Senior Vice President, Chief Financial Officer and Treasurer

Certification of Principal 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 September 30, 2006 (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: November 8, 2006

/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 Principal 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 September 30, 2006 (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: November 8, 2006

/s/ JONATHAN S. HALKYARD

Jonathan S. Halkyard

Senior Vice President, Chief Financial
Officer and Treasurer

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.
