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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001
OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NO. 1-10410

HARRAH'S ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	62-1411755
(State of incorporation)	(IRS Employer Identification No.)

ONE HARRAH'S COURT
LAS VEGAS, NEVADA 89119
(Current address of principal executive offices)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes /X/ No / /

At June 30, 2001, there were outstanding 118,776,500 shares of the Company's Common Stock.

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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. 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. 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 2000 Annual Report to Stockholders.

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)

JUNE 30, 2001	DEC. 31, 2000 (IN THOUSANDS, EXCEPT SHARE AMOUNTS)
	ASSETS
	Current assets:
	Cash and cash equivalents
$ 267,110	$ 299,202
	Receivables, less allowance for doubtful accounts of $45,090 and $49,357
130,833	122,050
	Deferred income taxes
35,153	35,126
	Prepayments and other
59,806	104,239
	Inventories
23,443	22,816
	Total current assets
516,345	583,433
	Land, buildings, riverboats and equipment
4,775,376	4,581,253
	Less: accumulated depreciation
(1,171,617)	(1,084,884)
3,603,759	3,496,369
	Goodwill, net of amortization of $82,224 and $72,465 (Note 2)
697,767	685,393
	Investments in and advances to nonconsolidated affiliates
80,904	86,681
	Deferred costs, trademarks and other
308,774	314,209
$ 5,207,549	$ 5,166,085
	LIABILITIES AND STOCKHOLDERS' EQUITY
	Current liabilities:
	Accounts payable
$ 75,258	$ 89,051
	Accrued expenses
350,930	343,524
	Short-term debt
47,000	215,000
	Current portion of long-term debt
3,863	130,928
	Total current liabilities
477,051	778,503
	Long-term debt
3,001,955	2,835,846
	Deferred credits and other
174,320	177,654
	Deferred income taxes
104,942	85,650
3,758,268	3,877,653
	Minority interests
18,586	18,714
	Commitments and contingencies (Notes 2, 4, 6 and 7)
	Stockholders' equity (Note 3)
	Common stock, $0.10 par value, authorized-360,000,000 shares, outstanding--118,776,500 and 115,952,394 shares (net of 22,158,030 and 22,030,805 shares held in treasury)
11,878	11,595
	Capital surplus
1,138,503	1,075,313
	Retained earnings
316,195	224,251
	Accumulated other comprehensive income (loss)
(1,705)	(1,036)
	Deferred compensation related to restricted stock
(34,176)	(40,405)
1,430,695	1,269,718
$ 5,207,549	$ 5,166,085

See accompanying Notes to Consolidated Condensed Financial Statements.

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

(UNAUDITED)

SECOND QUARTER ENDED		SIX MONTHS ENDED		
JUNE 30, 2001	JUNE 30, 2000	JUNE 30, 2001	JUNE 30, 2000	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
				Revenues:
$753,755	$721,057	$1,501,686	$1,354,814	Casino
127,790	120,877	251,233	231,145	Food and beverage
76,461	68,824	147,469	133,018	Rooms
15,442	16,269	31,122	33,490	Management fees
35,851	37,557	68,649	71,118	Other
(95,255)	(88,411)	(186,582)	(167,152)	Less: casino promotional allowances
914,044	876,173	1,813,577	1,656,433	Total revenues
				Operating expenses:
				Direct
395,556	374,187	779,599	705,266	Casino
58,230	59,157	113,152	113,029	Food and beverage
18,850	17,631	36,516	34,306	Rooms
68,331	61,934	134,460	112,505	Depreciation and amortization
				Write-downs, reserves and recoveries:
-	-	2,322	-	Reserves for New Orleans casino
1,163	627	931	640	Other
2,108	1,452	4,267	1,744	Project opening costs
13,632	14,572	27,408	25,593	Corporate expense
-	917	-	2,713	Headquarters relocation and reorganization costs
849	10,600	423	34,296	Equity in losses of nonconsolidated affiliates
1,232	-	2,732	-	Venture restructuring costs
5,697	5,337	11,299	9,874	Amortization of goodwill and trademarks
206,664	193,421	414,210	380,029	Other
772,312	739,835	1,527,319	1,419,995	Total operating expenses
141,732	136,338	286,258	236,438	Income from operations
(63,189)	(58,126)	(127,415)	(108,585)	Interest expense, net of interest capitalized
(5,410)	-	(5,040)	-	Loss on equity interests in subsidiaries, net
6,173	1,178	(305)	4,794	Other income (expense), including interest income
79,306	79,390	153,498	132,647	Income before income taxes and minority interests
(29,026)	(28,632)	(55,837)	(47,278)	Provision for income taxes
(2,417)	(3,544)	(5,587)	(7,407)	Minority interests
47,863	47,214	92,074	77,962	Income before extraordinary losses
-	(716)	(131)	(716)	Extraordinary losses, net of income tax benefit of $388, $71 and $388
$ 47,863	$ 46,498	$ 91,943	$ 77,246	Net income

See accompanying Notes to Consolidated Condensed Financial Statements.

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

SECOND QUARTER ENDED		SIX MONTHS ENDED	
JUNE 30, 2001	JUNE 30, 2000	JUNE 30, 2001	JUNE 30, 2000
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
- Earnings per share-basic Income before extraordinary losses	$ 0.41	$ 0.80	$ 0.65
Extraordinary losses, net	- (0.01)	- (0.01)	--
Net income	$ 0.41	$ 0.39	$ 0.80	$ 0.64
Earnings per share-diluted Income before extraordinary losses	$ 0.40	$ 0.78	$ 0.65
Extraordinary losses, net	- (0.01)	- (0.01)	--
Net income	$ 0.40	$ 0.39	$ 0.78	$ 0.64
Average common shares outstanding	116,124	118,625	115,382	119,947
Average common and common equivalent shares outstanding	119,026	119,993	117,892	121,429

See accompanying Notes to Consolidated Condensed Financial Statements.

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

SIX MONTHS ENDED	
JUNE 30, 2001	JUNE 30, 2000
(IN THOUSANDS)	
Cash flows from operating activities: Net income	$ 91,943	$ 77,246
Adjustments to reconcile net income to cash flows from operating activities Extraordinary losses, before income taxes	202	1,104
Depreciation and amortization	158,977	130,448
Write-downs, reserves and recoveries	3,253	625
Other noncash items	38,257	5,768
Minority interests' share of income	5,587	7,407
Equity in losses of nonconsolidated affiliates	423	34,296
Realized loss from equity interests in nonconsolidated affiliates, net	5,040	-
Net losses from asset sales	900	303
Net change in long-term accounts	(10,082)	(26,320)
Net change in working capital accounts	18,570	25,269
Cash flows provided by operating activities	313,070	256,146
Cash flows from investing activities: Land, buildings, riverboats and equipment additions	(254,611)	(191,762)
Investments in and advances to nonconsolidated affiliates	(5,706)	(73,065)
Proceeds from other asset sales	13,435	69,977
Proceeds from equity interests in subsidiaries	1,883	131,475
Increase (decrease) in construction payables	365	(1,252)
Payment for purchases of acquisitions, net of cash acquired	-	(256,333)
Maturity of marketable equity securities for defeasance of		

debt.....
- 58,091
Other.....
(7,039) (3,161) --------- --------- Cash flows used in
investing activities..... (251,673) (266,030) -
-------- --------- Cash flows from financing activities:
Net (repayments) borrowings under long-term lending
agreements, net of deferred financing cost of $510 and
$1,486.....
(951,378) 246,514 Net short-term (repayments) borrowings,
net of deferred financing costs of $460 in
2000..... (18,000) 148,522 Early
extinguishments of debt.....
(150,000) (213,063) Premiums paid on early
extinguishments of debt..... - (1,104) Minority
interests' distributions, net of contributions... (5,713)
(5,096) Scheduled debt
retirements..... (1,852)
(1,438) Proceeds from issuance of 7.125% notes, net of
discount and issue costs of
$5,286..... 494,714 - Proceeds
from issuance of 8.0% notes, net of discount and issue
costs of $9,486.....
490,514 - Purchases of treasury
stock..... - (198,469) Proceeds
from exercises of stock options..... 49,143
27,061
Other.....
(917) - --------- --------- Cash flows (used in) provided
by financing
activities.....
(93,489) 2,927 --------- --------- Net decrease in cash
and cash equivalents..... (32,092) (6,957)
Cash and cash equivalents, beginning of
period..... 299,202 233,581 --------- ---------
Cash and cash equivalents, end of
period..... $ 267,110 $ 226,624 =========
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See accompanying Notes to Consolidated Condensed Financial Statements.

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

SECOND QUARTER SIX MONTHS ENDED ENDED ----------
------ ------------------- JUNE 30, JUNE 30, JUNE
30, JUNE 30, 2001 2000 2001 2000 (IN THOUSANDS) ---
----- -------- -------- -------- Net
income.....
$47,863 $46,498 $91,943 $77,246 ------- ------- ---
---- ------- Other comprehensive income: Unrealized
gains on available-for-sale securities, net of tax
provision of $189, $35, $755 and $143..... 349
57 1,257 233 Realization of gain on available-for-
sale securities, net of tax provision of
$123..... - - (226) - Unrealized
loss on natural gas contract, net of tax benefit of
$731 and $921..... (1,350) -
(1,700) - Foreign currency translation adjustments,
net of tax provision of
$56..... - - - 90
Realization of foreign currency adjustments, net of
tax provision of
$148..... - - - 191 -----
-- ------- ------- ------- Other comprehensive
(loss) income..... (1,001) 57 (669) 514
------- ------- ------- ------- Comprehensive
income..... $46,862
$46,555 $91,274 $77,760 ======= ======= =======
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See accompanying Notes to Consolidated Condensed Financial Statements.

HARRAH'S ENTERTAINMENT, INC.

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. Our casino entertainment facilities, operating under the Harrah's, Rio, Showboat and Players brand names, include casino hotels in Reno, Lake Tahoe, Las Vegas and Laughlin, Nevada; two casino hotel properties in Atlantic City, New Jersey; and riverboat and dockside casinos in Joliet and Metropolis, Illinois; East Chicago, Indiana; Shreveport and Lake Charles, Louisiana; Tunica and Vicksburg, Mississippi; and North Kansas City and St. Louis, Missouri. We also manage the land-based casino in New Orleans, Louisiana, and casinos on Indian lands near Phoenix, Arizona; Cherokee, North Carolina; and Topeka, Kansas.

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

NOTE 2--ACQUISITIONS

HARVEYS CASINO RESORTS

On July 31, 2001, we consummated our acquisition of Harveys Casino Resorts ("Harveys") for $625 million, including assumption of Harveys' outstanding debt, plus adjustments for changes in working capital of approximately $7 million. We also assumed a $50 million off-balance-sheet liability. We financed the acquisition and will refinance Harveys existing debt through our Bank Facility. The purchase included the Harveys Resort & Casino in Lake Tahoe, Nevada, the Harveys Casino Hotel and the Bluffs Run Casino, both in Council Bluffs, Iowa, and the Harveys Wagon Wheel Hotel/Casino in Central City, Colorado. The acquisition will be accounted for as a purchase and will be accounted for under the provisions of the newly issued Statements of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets". The purchase price will be allocated to the underlying assets and liabilities based on their estimated fair values at the date of acquisition. We will determine the estimated fair values based on independent appraisals, discounted cash flows, quoted market prices and estimates made by management. To the extent that the purchase price exceeds the fair value of the net identifiable assets acquired, such excess will be allocated to goodwill. Under the provisions of SFAS No. 142, goodwill arising from the acquisition will not be amortized.

PLAYERS INTERNATIONAL, INC.

On March 22, 2000, we completed our acquisition of Players International, Inc. ("Players"), paying a total of $266 million to purchase Players outstanding common stock ($8.50 per share) and assuming $150 million of Players 10 7/8% Senior Notes due 2005 (the "Players Notes"). Players operated a dockside riverboat casino on the Ohio River in Metropolis, Illinois; two cruising riverboat casinos in Lake Charles, Louisiana; two dockside riverboat casinos in Maryland Heights, Missouri, a suburb of St. Louis; and a horse racetrack in Paducah, Kentucky. Players and the Company jointly operated a landside hotel and entertainment facility at the Maryland Heights property. The operations of the Maryland Heights properties were consolidated with the adjacent Harrah's operations in second quarter 2000, and the Lake Charles facility was converted to the Harrah's brand in fourth quarter 2000.

The Metropolis facility is expected to be converted to the Harrah's brand name after integration of our systems and technology, including Total Rewards, which we anticipate will occur in the second half of 2001.

NOTE 2--ACQUISITIONS (CONTINUED)

The acquisition was funded by our Bank Facility and was accounted for as a purchase. The purchase price was allocated to the underlying assets and liabilities based upon their estimated fair values at the date of acquisition. We determined the estimated fair values based on independent appraisals, discounted cash flows, quoted market prices and estimates made by management. To the extent that the purchase price exceeded the fair value of the net identifiable tangible assets acquired, such excess was allocated to goodwill and

is being amortized over 40 years. We will adopt SFAS No. 142 as of January 1, 2002. Under the provisions of SFAS No. 142, the goodwill arising from our acquisition of Players, as well as the goodwill related to prior acquisitions, will be assessed for any impairment by applying a fair-value-based test and amortization of goodwill will cease.

Approximately $2.3 million of the Players Notes were retired on April 28, 2000, in connection with a change of control offer. On June 5, 2000, we purchased approximately $13.1 million of the Players Notes in the open market for the face amount plus accrued interest and a premium. The remaining Players Notes were redeemed on June 30, 2000, for the face amount plus accrued interest and a premium.

NOTE 3--STOCKHOLDERS' EQUITY

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

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

In April 2000, our Board of Directors authorized the repurchase of up to 12.5 million shares of our common stock in the open market and other transactions as market conditions warrant (the "April 2000 Plan"). The April 2000 Plan will expire on December 31, 2001. At June 30, 2001, we had repurchased 8.0 million shares under the April 2000 Plan. No shares were purchased during the first six months of 2001. Subsequent to the end of second quarter, we repurchased 3.6 million additional shares, leaving, as of August 8, 2001, 0.9 million shares that may be repurchased under the April 2000 Plan.

In July 2001, our Board of Directors authorized the repurchase of an additional 6 million shares of the Company's common stock before December 31, 2002 (the "July 2001 Plan"). Repurchases under the July 2001 Plan may be made from time to time in open market or negotiated transactions as market conditions and other factors warrant.

NOTE 4--DEBT

REVOLVING CREDIT FACILITIES

As of December 31, 2000, the Company had revolving credit and letter of credit facilities (the "Bank Facility"), which provided us with borrowing capacity of $1.9 billion. The Bank Facility consisted of a five-year $1.525 billion revolving credit and letter of credit facility maturing in 2004 and a separate $375 million revolving credit facility, which is renewable annually at the borrower's and lenders' options. On April 26, 2001, we renewed the 364-day facility and reduced the available borrowing capacity of that facility from $375 million to $328 million, reducing our total borrowing capacity available under the Bank Facility to $1.85 billion. Currently, the Bank Facility bears interest based upon

NOTE 4--DEBT (CONTINUED)
80 basis points over LIBOR for current borrowings under the five-year facility and 85 basis points over LIBOR for the 364-day facility. In addition, there is a facility fee for borrowed and unborrowed amounts which is currently 20 basis points on the five-year facility and 15 basis points on the 364-day facility. The interest rate and facility fee are based on our current debt ratings and leverage ratio and may change as our debt ratings and leverage ratio change. As of June 30, 2001, $645 million in borrowings were outstanding under the Bank Facility with an additional $36 million committed to back letters of credit and $19 million committed to back Commercial Paper borrowings. After consideration of these borrowings, $1.15 billion of additional borrowing capacity was available to the Company as of June 30, 2001.

ISSUANCE OF NEW DEBT

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

substantially all of our assets. Proceeds from the 8% Notes were used to pay off a $150 million credit agreement and to reduce indebtedness under our Bank Facility. In June 2001, the Company completed an exchange offer whereby the private placement notes were exchanged for public notes.

In June 2001, HOC completed a private placement of $500.0 million principal amount 7.125% Senior Notes due 2007 (the "7.125% Notes"). The 7.125% Notes are unsecured and contain restrictive covenants identical to those of the 8% Notes discussed above. Proceeds from the 7.125% Notes were used to reduce indebtedness under our Bank Facility so that capacity was available to us under the Bank Facility to fund our acquisition of Harveys. We plan to commence an exchange offer in third quarter, whereby the private placement notes would be exchanged for public notes. We expect to complete this exchange offer by the end of 2001.

SHORT-TERM BORROWINGS

In a program designed for short-term borrowings at lower interest rates than the rates paid under our Bank Facility, we have uncommitted line of credit agreements with two lenders whereby we can borrow up to $50 million for periods of ninety days or less. At June 30, 2001, we had borrowed $47 million under these agreements. These agreements have no impact on our Bank Facility and do not decrease our borrowing capacity under those agreements.

EARLY EXTINGUISHMENTS OF DEBT

In January 2001, we retired a $150 million credit agreement scheduled to mature in June 2001 and recorded an extraordinary loss of $0.1 million, net of tax.

Approximately $2.3 million of the Players Notes were retired on April 28, 2000, in connection with a change of control offer. On June 5, 2000, we purchased approximately $13.1 million of the Players Notes in the open market for the face amount plus accrued interest and a premium. The remaining Players Notes were redeemed on June 30, 2000, for the face amount plus accrued interest and a premium. We recorded liabilities assumed in the Players acquisition, including the notes, at their fair

NOTE 4--DEBT (CONTINUED)
value as of the date of consummation of the acquisition. The difference between the consideration paid to the holders of the Players Notes and the carrying value of the Notes on the dates of the redemptions was recorded in the second quarter as an extraordinary loss of $0.7 million, net of tax. We retired the Players Notes using proceeds from our new $150 million Credit Agreement and our Bank Facility.

We redeemed the Showboat, Inc. 9 1/4% First Mortgage Bonds on May 1, 2000, the first call date. These bonds were defeased in 1998 by purchasing treasury securities which were deposited with trustees to pay the scheduled interest payments to the first call date and principal on the securities outstanding on such date.

NOTE 5--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:

SIX MONTHS ENDED	JUNE 30, 2001	JUNE 30, 2000
(IN THOUSANDS)		
Interest expense, net of amount capitalized	$127,415	$108,585
Adjustments to reconcile to cash paid for interest:		
Net change in accruals	(25,095)	(11,461)
Amortization of deferred finance charges	(2,271)	(1,931)
Net amortization of discounts and premiums	(353)	168
Cash paid for interest, net of amount capitalized	$ 99,696	$ 95,361
Cash (refunds) payments of income taxes, net of payments		

(refunds).....
$(50,328) $ 2,358 ======== ========

NOTE 6--COMMITMENTS AND CONTINGENT LIABILITIES

NEW ORLEANS CASINO

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

Pursuant to the reorganization plan, the Company is guaranteeing an annual payment obligation of JCC owed to the State of Louisiana of $50 million in the first year ($37.5 million remained at June 30, 2001) and $60 million for three subsequent years. We receive a fee of 2% of the average amount at risk for providing this guarantee. Also pursuant to the reorganization plan, we received 49% of the new common stock of JCC and hold approximately $51 million of the new debt of JCC, which replaced

NOTE 6--COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)
$81.6 million owed to us prior to JCC's reorganization. We are also providing a $35 million revolving credit facility to JCC at market terms. A subsidiary of the Company continues to manage the Casino pursuant to an amended management agreement, which, among other things, (i) changed the base management fee to an incentive management fee based on earnings of the business before interest expense, income taxes, depreciation, amortization and management fees, (ii) requires the Company to provide certain administrative services to JCC as part of its management fee without any reimbursement from JCC and (iii) provides for termination of management services if minimum performance thresholds are not met.

Due to the filing of bankruptcy by JCC, in fourth quarter 2000 we recorded reserves of $220 million for receivables not expected to be recovered in JCC's reorganization plan. In first quarter 2001, an additional $2.3 million was recorded to reserve for additional advances made to JCC during first quarter 2001 and to adjust the reserves for modifications to the approved reorganization plan.

NATIONAL AIRLINES, INC.

We had an approximate 48% ownership interest in National Airlines, Inc. ("NAI"), which filed a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code in December 2000. In 2001 we abandoned all rights to our shares of NAI stock and stock purchase warrants. We have provided $17.0 million in loans to NAI and funded letters of credit on their behalf of $8.6 million. We fully reserved for our exposure under these items in fourth quarter 2000. In addition, we are exposed to up to $15.5 million of liability under other letters of credit which expire August 31, 2001. We have an agreement with another investor of NAI whereby that investor is obligated to reimburse us for approximately 56% of amounts that we pay in response to demands on the letters of credit. During second quarter, a subsidiary of the Company filed a lawsuit against the other investor for breach of contract due to the investor's failure to reimburse the Company for his share of drafts we have paid against the letters of credit. As contractually permitted, the guarantor has elected to submit the issue to binding arbitration.

In fourth quarter 2000, we recorded write-offs and reserves totaling $39.4 million for our investment in and loans to NAI and our estimated net exposure under the letters of credit. If we are required to fund under the remaining letters of credit and are unsuccessful in collecting from the other investor, we would record additional losses of up to $15.3 million for NAI.

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. Excluding guarantees and commitments for the New Orleans casino discussed above, as of June 30, 2001, we had guaranteed third party loans and leases of $67.4 million, which are secured by certain assets, and had commitments of $335.2 million for construction-related and other obligations.

The agreements under which we manage casinos on Indian lands contain provisions required by law which provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled payments of borrowings for development costs. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. Such

NOTE 6--COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. As of June 30, 2001, the aggregate monthly commitment pursuant to these contracts, which extend for periods of up to 42 months from June 30, 2001, was $1.1 million.

Effective March 1, 2001, we entered into a fixed price agreement with a third party to stabilize our cost of natural gas. The agreement is for a 24-month term and fixes the commodity portion of our natural gas cost at $5.09 per decatherm. At its inception, this derivative was determined to be an effective cash flow hedge for purposes of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". At June 30, 2001, the fair value of this contract was estimated to be a $2.6 million loss. The unrealized loss from this derivative is recorded as a component of comprehensive income.

SEVERANCE AGREEMENTS

As of June 30, 2001, we have severance agreements with 36 of our senior executives, which provide for payments to the executives in the event of their termination after a change in control, as defined. These agreements provide, among other things, for a compensation payment of 1.5 to 3.0 times the executive's average annual compensation, as defined, as well as for accelerated payment or accelerated vesting of any compensation or awards payable to the executive under any of our incentive plans. The estimated amount, computed as of June 30, 2001, that would be payable under the agreements to these executives based on earnings and stock options aggregated approximately $110.7 million.

TAX SHARING AGREEMENTS

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

SELF-INSURANCE

We are self-insured for various levels of general liability, workers' compensation and employee medical coverage. We also have stop loss coverage to protect against unexpected claims. 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 7--LITIGATION

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

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", "Company", "we", "our" and "us") for second quarter 2001 and 2000, updates, and should be read in conjunction with, Management's Discussion and Analysis of Financial Position and Results of Operations presented in our 2000 Annual Report.

ACQUISITION OF HARVEYS

On July 31, 2001, we completed our acquisition of Harveys Casino Resorts ("Harveys") for $625 million, including our assumption of Harveys' outstanding debt, plus adjustments for changes in working capital of approximately $7 million. We also assumed a $50 million off-balance-sheet liability. We financed the acquisition, and will refinance Harveys assumed debt, through the existing borrowing capacity available under our bank credit facilities. The purchase includes the Harveys Resort & Casino in Lake Tahoe, Nevada, the Harveys Casino Hotel and the Bluffs Run Casino, both in Council Bluffs, Iowa, and the Harveys Wagon Wheel Hotel/Casino in Central City, Colorado. The addition of the Harveys properties expands our geographic distribution to 25 casinos in 12 states, increases our nationwide casino square footage by almost 15% and adds 1,109 hotel rooms, 149 table games and 5,768 slot machines to serve our customers. The transaction will introduce Harrah's and our Total Rewards customer-loyalty program to 1.7 million potential new customers within 150 miles of Council Bluffs and strengthen our relationships with customers throughout the Nevada-Northern California gaming market.

JCC HOLDING COMPANY

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

Pursuant to the reorganization plan, the Company is guaranteeing an annual payment obligation of JCC owed to the State of Louisiana of $50 million in the first year ($37.5 million remained at June 30, 2001) and $60 million for three subsequent years. We receive a fee of 2% of the average amount at risk for providing this guarantee. Also pursuant to the reorganization plan, we received 49% of the new common stock of JCC and hold approximately $51 million of the new debt of JCC, which replaced $81.6 million owed to us prior to JCC's reorganization. We are also providing a $35 million revolving credit facility to JCC at market terms. A subsidiary of the Company continues to manage the Casino pursuant to an amended management agreement, which, among other things, (i) changed the base management fee to an incentive management fee based on earnings of the business before interest expense, income taxes, depreciation, amortization and management fees, (ii) requires the Company to provide certain administrative services to JCC as part of its management fee without any reimbursement from JCC and (iii) provides for termination of management services if minimum performance thresholds are not met.

Due to the filing of bankruptcy by JCC, in fourth quarter 2000 we recorded reserves of $220 million for receivables not expected to be recovered in JCC's reorganization plan. In first quarter 2001, an additional $2.3 million was recorded to reserve for additional advances made to JCC during first quarter 2001 and to adjust the reserves for modifications to the approved reorganization plan.

OPERATING RESULTS AND DEVELOPMENT PLANS

OVERALL

SECOND QUARTER		PERCENTAGE INCREASE/ (DECREASE)	FIRST SIX MONTHS		PERCENTAGE INCREASE/ (DECREASE)
2001	2000		2001	2000	
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(IN MILLIONS, EXCEPT EARNINGS PER SHARE) Casino revenues..... $ 753.8 $ 721.1 4.5% $ 1,501.7 $ 1,354.8 10.8% Net revenues..... 914.0 876.2 4.3% 1,813.6 1,656.4 9.5% Income from operations..... 141.7 136.3 4.0% 286.3 236.4 21.1% Income before extraordinary items.... 47.9 47.2 1.5% 92.1 78.0 18.1% Net income..... 47.9 46.5 3.0% 91.9 77.2 19.0% Earnings per share-diluted..... 0.40 0.39 2.6% 0.78 0.64 21.9% Operating margin..... 15.5% 15.6% (0.1)pts 15.8% 14.3% 1.5pts

Second quarter 2001 revenues increased 4.3% over second quarter 2000, and net income increased 3.0% from the same period last year. Many of our properties reported record revenues for the second quarter of 2001, which resulted in overall second quarter record revenues.

For the six months ended June 30, 2001, revenues were up 9.5% and net income was 19.0% over the same six-month period last year. These increases were driven, in part, by our acquisition of Players International, Inc. ("Players") in March 2000, as well as by improved results at the Rio Hotel & Casino ("Rio") in Las Vegas, Nevada, which experienced exceptionally low table games hold percentage in 2000.

Gaming revenues continue to grow, reaffirming the success of our strategy to grow same store sales through customer loyalty programs. The following table compares second quarter 2001 gaming revenues to second quarter 2000 gaming revenues for our company-owned properties, including those acquired over the past three years.

SECOND QUARTER PERCENTAGE ---------- INCREASE/ 2001 2000 (DECREASE) -------- -------- ---------- (IN MILLIONS) Casino revenues
Harrah's.....
$462.9 $444.5 4.1% Showboat
acquisition..... 156.7
150.9 3.8% Rio
acquisition.....
40.1 38.5 4.2% Players
acquisition..... 94.1
87.2 7.9% ------ ------
Total.....
$753.8 $721.1 4.5% ====== ======

WESTERN REGION

SECOND QUARTER PERCENTAGE FIRST SIX MONTHS PERCENTAGE ---------- INCREASE/ - ---------- INCREASE/ 2001 2000 (DECREASE) 2001 2000 (DECREASE) -------- - ------- ---------- -------- -------- ----- ----- (IN MILLIONS) Casino revenues.....
$174.1 $168.0 3.6% $356.8 $340.0 4.9% Net revenues.....
283.3 270.6 4.7% 568.9 542.6 4.8% Operating
profit..... 32.4
25.0 29.6% 68.7 48.7 41.1% Operating margin.....
11.4% 9.2% 2.2pts 12.1% 9.0% 3.1pts

Increases in Western Region second quarter 2001 revenues and operating profit from the same period last year were primarily due to improved performance at the Rio and record revenues and increased operating profit at our Harrah's brand properties in southern Nevada. Rio's second quarter

2001 revenues were 5.1% above second quarter 2000 when that property experienced a well-below-average table games hold percentage. In addition to improved revenue, operating margin at the Rio improved due to successful cost management. Rio's operating margin in second quarter 2000 was affected by marketing and promotional costs incurred by the property in an effort to maintain its competitive position in the market following the opening of several competitors. Second quarter revenues at our southern Nevada Harrah's properties increased 11.0% and operating profit increased 15.1% over the same period last year. Our northern Nevada properties reported a decline in revenue from second quarter last year of 3.4%, and operating profit was 24.5% lower than in the same quarter last year. The declines are due to lower than normal retail, or non-tracked walk-in, business volumes in northern Nevada.

For the six months ended June 30, 2001, Western Region revenues increased 4.8% and operating profit increased 41.1%. These increases were due to improved results at the Rio, driven primarily by favorable year-over-year table games hold percentage, and continued strong performance of Harrah's Southern Nevada properties. Six months year-over-year results also reflect the declines in retail business at our Northern Nevada properties.

EASTERN REGION

SECOND QUARTER		PERCENTAGE INCREASE/ (DECREASE)	FIRST SIX MONTHS		PERCENTAGE INCREASE/ (DECREASE)
2001	2000		2001	2000	
(IN MILLIONS)					
Casino revenues	$191.6	$190.3	0.7 %	$362.5	$364.6	(0.6)%
Net revenues	203.8	202.4	0.7 %	384.8	387.8	(0.8)%
Operating profit	48.6	49.3	(1.4)%	85.9	87.5	(1.8)%
Operating margin	23.8%	24.4%	(0.6)pts	22.3%	22.6%	(0.3)pts

Harrah's Atlantic City reported record revenues and operating profit in second quarter 2001, with revenues slightly above last year's second quarter record and a 3.6% increase over their second quarter operating profit record set last year. At Showboat Atlantic City, revenues increased 1.5% over the year-ago quarter, but operating profit decreased 12.1% from the same period last year.

For the first six months of 2001, Harrah's Atlantic City posted moderate gains in revenues and a 5.0% increase in operating profit over the same six-month period last year. Showboat Atlantic City's revenues decreased 1.8% and operating profit decreased 15.7% from the first six months of 2000. The Atlantic City Showboat property, which is more reliant on bus customers, was impacted by poor weather during first quarter 2001 and also experienced construction disruptions related to reconfiguration of the casino floor. The reconfiguration of Showboat's casino floor was completed in the second quarter of 2001. Our tiered Total Rewards customer-loyalty program was recently implemented at the Showboat and is expected to result in increased play as well as build guest loyalty.

Construction is underway on a 450-room expansion at Harrah's Atlantic City, which will increase the hotel's capacity to more than 1,600 rooms. The expansion is expected to cost approximately $113 million, $31.1 million of which has been spent at June 30, 2001. The expansion is scheduled to be completed in second quarter 2002. Subsequent to the end of second quarter, we announced plans to further expand the Harrah's Atlantic City casino and hotel complex to create an additional 28,000 square feet of casino floor space and expand a buffet area. This project is expected to cost approximately $80 million and is scheduled to be completed in second quarter 2002.

CENTRAL REGION

SECOND QUARTER		PERCENTAGE INCREASE/ (DECREASE)	FIRST SIX MONTHS		PERCENTAGE INCREASE/ (DECREASE)
2001	2000		2001	2000	
(IN MILLIONS)					
Casino revenues					

$387.9 $362.6 7.0 % $782.1 $650.2
20.3% Net
revenues.....
409.0 382.0 7.1 % 824.0 683.5 20.6%
Operating
profit..... 81.9
83.1 (1.4)% 170.2 151.9 12.0%
Operating
margin.....
20.0% 21.8% (1.8)pts 20.7% 22.2%
(1.5)pts

CHICAGOLAND/ILLINOIS--Harrah's Joliet reported record revenues for second quarter 2001, a 3.9% increase over the same quarter last year; however, operating profit for the quarter decreased 26.7% compared to the same period last year. Construction is underway at this property on the new casino barges that will replace the riverboats we operate later in 2001. The casino barges are expected to cost approximately $83 million, of which $30.9 million had been spent as of June 30, 2001. Because the two riverboats will be removed from service, depreciation has been accelerated to reflect the current estimates of the riverboats' useful lives and salvage values. In second quarter 2001, the estimated salvage values of the riverboats were reviewed and revised and the accelerated depreciation was increased from $2.4 million per quarter to $3.8 million per quarter. Harrah's East Chicago reported record second quarter revenues, an increase of 6.7% over second quarter 2000, while operating profit was approximately the same as last year. Second quarter operating profit in the Chicagoland market was affected by efforts to protect market share as a competitive operator accelerated promotional spending during the quarter. Construction is underway at the East Chicago property on a 292-room hotel, which is anticipated to be completed near year-end 2001. The project is expected to cost approximately $47.0 million, $17.4 million of which had been spent through June 30, 2001. Second quarter revenues and operating income at Players Metropolis were level with amounts reported in second quarter 2000. Construction is underway at Players Metropolis to renovate the facilities and convert the property to the Harrah's brand. This project, anticipated to be completed in third quarter 2001, is expected to cost approximately $49 million, $26.9 million of which had been spent at June 30, 2001.

For the six months ended June 30, 2001, revenues at Harrah's Joliet increased 3.6%, but operating profit decreased 19.7%, due primarily to the accelerated depreciation on the riverboats that are to be removed from service and construction disruptions at that property. At Harrah's East Chicago revenues increased 7.3% and operating income increased 5.6% over the same six-month period last year. For the first six months of 2001, Players Metropolis contributed $59.1 million in revenues and $16.0 million in operating income, compared to $32.3 million and $10.0 million, respectively, for the same period last year due to our acquisition of Players in late first quarter of 2000.

LOUISIANA--Harrah's Shreveport's revenues increased 27.7% over second quarter last year while operating profit was approximately level with second quarter 2000. The revenue gains, which were aided by the new hotel and restaurants that opened during first quarter 2001, were offset by higher costs driven by the competitive Shreveport market, increased depreciation associated with the newly constructed assets and a 1% increase in gaming taxes that was effective in second quarter. Gaming taxes at this property will increase another 1% in 2002 and another 1% in 2003. At Harrah's Lake Charles revenues increased 3.9% while operating profit decreased 7.2%. A major refurbishment of the hotel at this property began in second quarter and almost 40% of the hotel rooms were out of service in the quarter. This hotel refurbishment is estimated to cost $14 million, of which $3.5 million had been spent at June 30, 2001. Also affecting operating profit were a tropical storm that effectively closed the market for a weekend in June and an increase in gaming taxes from 18.5% to 21.5% of gaming revenues, which was effective in second quarter.

For the first six months of 2001, Harrah's Shreveport experienced a 19.6% increase in revenues and an 18.1% decrease in operating income due to increased promotional expenses and the costs of inefficiencies associated with the staggered opening of the new 514-room hotel and other amenities during first quarter 2001. The Lake Charles property, which was acquired in the Players acquisition in March 2000 and re-branded to the Harrah's brand in fourth quarter 2000, contributed $84.7 million in revenue and $16.5 million in operating profit.

MISSISSIPPI--Combined second quarter revenues at our Mississippi properties decreased $0.6 million from second quarter 2000, and operating profit was the same as in the year-ago second quarter. For the six months ended June 30, 2001, revenues decreased $2.7 million and operating income decreased $1.5 million.

MISSOURI--Second quarter revenues at our Missouri properties increased 8.6% and operating profit increased 24.9% over the same period in 2000. These increases are due primarily to operational synergies achieved through the consolidation of the Players facility with the adjacent Harrah's casino in St. Louis subsequent to our acquisition of Players in March 2000. The combined St. Louis property reported revenues 11.7% above those reported in second quarter 2000, and operating income was 48.5% over the same period last year. Our North Kansas City property increased revenues 4.6% and operating profit 2.4% over second quarter last year.

For the six months ended June 30, 2001, revenues at our Missouri properties increased 23.0% and operating profit increased 33.7% over the first six months of 2000. These increases are primarily attributable to our acquisition of Players and the integration of Players St. Louis and the Harrah's/ Players jointly-owned shore-side facilities into our operations. Our St. Louis property reported six-month revenues that were 35.2% higher than in the first six months last year. Operating profit at that property was 54.3% higher than in the first six months of 2000. Harrah's North Kansas City increased revenues 9.8% and operating profit 14.1% over the same six-month period last year due to effective marketing, cost management efforts and facilities enhancements at that property. Construction was completed at the end of June 2001 on the new casino space at North Kansas City that resulted in the consolidation of all gaming space into a single facility and replaced the riverboat that had been used there since 1994. That riverboat is now being refurbished to prepare it to replace the riverboat at Players Metropolis.

MANAGED AND OTHER CASINOS

Our managed and other results for second quarter and the first six months of 2001 were lower than in the same periods last year. Fees from Harrah's New Orleans and Star City in Sydney, Australia, were less in second quarter 2001 than in second quarter 2000 due to changes in the management agreements. No management fees were recognized from Harrah's New Orleans in first quarter 2001 due to the bankruptcy filing by JCC. Management fees for second quarter and the first six months of 2001 from Indian-owned casinos increased 7.9% and 7.7%, respectively, from the same periods last year due primarily to strong performance at the casino owned by the Eastern Band of Cherokee Indians ("Cherokee") in Cherokee, North Carolina. Construction has begun on a 252-room hotel and conference center at the Cherokee property and is slated for completion in first quarter 2002.

During first quarter 2001, a temporary casino managed by the Rincon San Luiseno Band of Mission Indians in Southern California (the "Rincon") began operations near the site where a permanent casino, which we will manage, is scheduled to open in the second quarter of 2002. Subsequent to second quarter the Rincon secured third-party financing, which we have guaranteed, for its permanent casino.

See Debt and Liquidity for further discussion of Harrah's guarantees of debt related to Indian projects.

OTHER FACTORS AFFECTING NET INCOME

	FIRST SIX MONTHS		PERCENTAGE INCREASE/ (DECREASE)	SECOND QUARTER		PERCENTAGE INCREASE/ (DECREASE)
	2001	2000		2001	2000	
	(IN MILLIONS)					
(Income)/expense:						
Project opening costs	$ 2.1	$ 1.5	0.4%	$ 4.3	$ 1.7	N/M
Corporate expense	13.6	14.6	(6.8)%	27.4	25.6	7.0%
Headquarters relocation expense	-	0.9	N/M	-	2.7	N/M
Equity in losses of nonconsolidated affiliates	0.8	10.6	(92.5)%	0.4	34.3	(98.8)%
Write-downs, reserves and recoveries	1.2	0.6	N/M	3.3	0.6	N/M
Venture restructuring costs	1.2	-	N/M	2.7	-	N/M
Amortization of goodwill and trademarks	5.7	5.3	7.5%	11.3	9.9	14.1%
Interest expense, net	63.2	58.1	8.8%	127.4	108.6	17.3%
Other (income) expense	(6.2)	(1.2)				

N/M 0.3 (4.8) N/M Effective income tax rate..... 36.6% 36.1% 0.5pts 36.4% 35.6% 0.8pts Minority interests..... $ 2.4 $ 3.5 (31.4)% $ 5.6 $ 7.4 (24.3)% Extraordinary losses, net of income taxes..... - 0.7 N/M 0.1 0.7 (85.7)%

Corporate expense decreased 6.8% in second quarter 2001 from the prior year level but increased 7.0% for the six months ended June 30, 2001, compared to the same six month period last year due to timing of certain expenses and increases in other costs associated with the growth and positioning of our Company.

Equity in losses of nonconsolidated affiliates for second quarter and the first six months of 2000 included our share of losses from Harrah's New Orleans and National Airlines, Inc. ("NAI"). As a result of the charges we recorded in fourth quarter 2000 following the voluntary bankruptcy petitions for reorganization relief filed by each of these entities, our equity pick-up of the operating losses for both Harrah's New Orleans or NAI ceased as of the end of 2000. With the implementation of JCC's reorganization plan, we resumed recording our share of JCC's results in second quarter, however, our ownership interest has increased to 49% compared to approximately 42% last year. Equity in losses of nonconsolidated affiliates for the six months ended June 30, 2000, also included our pro rata share of the losses from the St. Louis shore-side facilities through the date of the Players acquisition.

Write-downs, reserves and recoveries in second quarter 2001 reflect costs incurred in connection with the closure of our reservations center in Memphis, Tennessee. We have out-sourced this function to a third party service provider. The first six months of 2001 also included a true-up to reserves recorded in fourth quarter 2000 in connection with the approval of JCC's reorganization plan. Venture restructuring costs represent fees to bankers and other consultants to represent our interest in JCC's plan of reorganization.

Amortization of goodwill and trademarks increased from the second quarter last year when goodwill related to the Players acquisition was estimated while the purchase price allocation was in process. The use of estimates for Players goodwill in 2000, coupled with the acquisition of Players in late first quarter 2000, resulted in higher amortization of goodwill for the six months ended June 30, 2001.

Interest expense was higher in the second quarter and the first six months of 2001 than in the same periods last year due to a second quarter 2001 charge arising from an initiative to reduce the volatility of a deferred compensation program and a higher level of debt associated with the acquisition of Players and our stock repurchase program.

Other (income) expense increased in second quarter 2001 due primarily to higher net investment results for Company-owned life insurance policies. However, those investment results were lower in first quarter 2001, causing a net decrease in year-over-year results for the six months.

The effective income tax rates for both periods are higher than the federal statutory rate due primarily to state income taxes and that portion of our goodwill amortization that is not deductible for tax purposes.

Minority interests reflects joint venture partners' share of income, which decreased in 2001 from the prior year as a result of lower earnings from those ventures due primarily to the accelerated depreciation on the riverboats that are to be removed from service.

The extraordinary losses reported in both years were due to the early extinguishments of debt and the write-off of related unamortized deferred finance charges. (See Debt and Liquidity--Extinguishment of Debt.)

CAPITAL SPENDING AND DEVELOPMENT

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

Our planned development projects, if they go forward, will require, individually and in the aggregate, significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion and the commencement of operations of casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. Cash needed to finance projects currently under development as well as additional projects pursued is expected to be made available from operating cash flows, bank borrowings (see Debt and Liquidity), joint venture partners, specific project financing, guarantees of third party debt and, if necessary, additional debt and/or equity offerings. Our capital spending for the first six months of 2001 totaled approximately $267.3 million. Estimated capital expenditures for 2001, excluding the acquisition of Harveys, are expected to be between $485 million and $595 million.

DEBT AND LIQUIDITY

BANK FACILITY

At December 31, 2000, the Company had revolving credit and letter of credit facilities (the "Bank Facility"), which provided us with borrowing capacity of $1.9 billion. The Bank Facility consisted of a five-year $1.525 billion revolving credit and letter of credit facility maturing in 2004 and a separate $375 million 364-day revolving credit facility, which is renewable annually at the borrower's and lenders' options. On April 26, 2001, we renewed the 364-day facility and reduced the available borrowing capacity of that facility from $375 million to $328 million, reducing our total borrowing capacity under the Bank Facility to $1.85 billion. Currently, the Bank Facility bears interest based upon 80 basis points over LIBOR for current borrowings under the five-year facility and 85 basis points over LIBOR for the 364-day facility. In addition, there is a facility fee for borrowed and unborrowed amounts which is currently 20 basis points on the five-year facility and 15 basis points on the 364-day facility. The interest rate and facility fee are based on our current debt ratings and leverage ratio and may change as our

debt ratings and leverage ratio change. As of June 30, 2001, $645 million in borrowings were outstanding under the Bank Facility with an additional $36 million committed to back letters of credit and $19 million committed to back Commercial Paper borrowings. After consideration of these borrowings, $1.15 billion of additional borrowing capacity was available to the Company as of June 30, 2001.

ISSUANCE OF NEW DEBT

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

In June 2001, HOC completed a private placement of $500.0 million principal amount 7.125% Senior Notes due 2007 (the "7.125% Notes"). The 7.125% Notes are unsecured and contain restrictive covenants identical to those of the 8% Notes discussed above. Proceeds from the 7.125% Notes were used to reduce indebtedness under our Bank Facility so that capacity would be available under the Bank Facility to fund our acquisition of Harveys. We plan to commence an exchange offer in third quarter, whereby the private placement notes will be exchanged for public notes. We expect to complete this exchange offer by the end of 2001.

SHORT-TERM BORROWINGS

In a program designed for short-term borrowings at lower interest rates than the rates paid under our Bank Facility, we have uncommitted line of credit agreements with two lenders whereby we can borrow up to $50 million for periods of ninety days or less. At June 30, 2001, we had borrowed $47 million under these agreements. These agreements have no impact on, and do not decrease the borrowing capacity under, our Bank Facility.

EARLY EXTINGUISHMENTS OF DEBT

In January 2001, we retired a $150 million credit agreement scheduled to mature in June 2001 and recorded an extraordinary loss of $0.1 million, net of

tax.

Approximately $2.3 million of the Players Notes were retired on April 28, 2000, in connection with a change of control offer. On June 5, 2000, we purchased approximately $13.1 million of the Players Notes in the open market for the face amount plus accrued interest and a premium. The remaining Players Notes were redeemed on June 30, 2000, for the face amount plus accrued interest and a premium. We recorded liabilities assumed in the Players acquisition, including the notes, at their fair value as of the date of consummation of the acquisition. The difference between the consideration paid to the holders of the Players Notes and the carrying value of the Notes on the dates of the redemptions was recorded in the second quarter as an extraordinary loss of $0.7 million, net of tax. We retired the Players Notes using proceeds from our new $150 million Credit Agreement and our Bank Facility.

We redeemed the Showboat, Inc. 9 1/4% First Mortgage Bonds on May 1, 2000, the first call date. These bonds were defeased in 1998 by purchasing treasury securities which were deposited with trustees to pay the scheduled interest payments to the first call date and principal on the securities outstanding on such date.

EQUITY REPURCHASE PROGRAM

In April 2000, our Board of Directors approved a plan whereby we can purchase up to 12.5 million shares of the Company's stock in the open market. These repurchases are funded through available cash and borrowings from our Bank Facility. No repurchases were made during the first six months of 2001; however, subsequent to June 30, 2001, 3.6 million shares were repurchased, leaving, as of August 8, 2001, 0.9 million additional shares that may be repurchased under the plan, which expires December 31, 2001.

In July 2001, our Board of Directors authorized the purchase of an additional 6 million shares of the Company's common stock before December 31, 2002. The purchases may be made from time to time in open market or negotiated transactions as market conditions and other factors warrant.

GUARANTEES OF THIRD PARTY DEBT AND OTHER COMMITMENTS

Pursuant to JCC's plan of reorganization, which was approved by the bankruptcy court on March 19, 2001, and was effective on March 29, 2001, the Company guarantees an annual payment obligation of JCC owed to the State of Louisiana of $50 million in the first year and $60 million for three subsequent years. Also pursuant to the reorganization plan, we hold approximately $51 million of the new debt of JCC and are providing a $35 million revolving credit facility to JCC.

The agreements pursuant to which we manage casinos on Indian lands contain provisions required by law, which provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled repayments of borrowings for development costs. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. Such advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. Our aggregate monthly commitment pursuant to the contracts for the three Indian-owned facilities now open, which extend for periods of up to 42 months from June 30, 2001, is $1.1 million.

We may guarantee all or part of the debt incurred by Indian tribes with which we have entered a management contract to fund development of casinos on the Indian lands. For all existing guarantees of Indian debt, we have obtained a first lien on certain personal property (tangible and intangible) of the casino enterprise. There can be no assurance, however, the value of such property would satisfy our obligations in the event these guarantees were enforced. Additionally, we have received limited waivers from the Indian tribes of their sovereign immunity to allow us to pursue our rights under the contracts between the parties and to enforce collection efforts as to any assets in which a security interest is taken. The aggregate outstanding balance of such debt as of June 30, 2001, was $65.1 million. In July 2001, the Rincon secured third-party financing, which we have guaranteed, for their permanent casino. At August 8, 2001, the outstanding balance of Rincon's debt was $31.1 million.

We had an approximate 48% ownership interest in NAI, which filed a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code in December 2000. In 2001, we abandoned all rights to our shares of NAI stock and stock purchase warrants. We have provided $17.0 million in loans to NAI and funded letters of credit on their behalf of $8.6 million and fully reserved our estimated exposure under these loans and letters of credit in fourth quarter

2001. In addition, we are exposed to up to $15.5 million of liability under other letters of credit which expire on August 31, 2001. We have an agreement with another investor of NAI whereby that investor is obligated to reimburse us for approximately 56% of amounts that we pay in response to demands on the letters of credit. During second quarter, a subsidiary of the Company filed a lawsuit against the other investor for breach of contract due to the investor's failure to reimburse the Company for his share of drafts we have paid against the letters of credit. As contractually permitted, the guarantor has

elected to submit the issue to binding arbitration, and the process of selecting the arbitrator is underway.

In fourth quarter 2000, we recorded write-offs and reserves totaling $39.4 million for our investment in and loans to NAI and our estimated net exposure under the letters of credit. If we are required to fund under the remaining letters of credit and are unsuccessful in collecting from the other investor, we would record additional losses of up to $15.3 million for NAI.

Due to the rising cost of natural gas, particularly at our Nevada properties, we entered into a fixed price agreement with a third party effective March 1, 2001, to stabilize our cost of this resource. The agreement is for a 24-month term and fixes the commodity portion of our natural gas cost at $5.09 per decatherm. Our evaluation of the terms of this derivative contract applying the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," concluded that it is an effective cash flow hedge. This results in any unrealized gain or loss from this derivative instrument being recorded as a component of comprehensive income (e.g. a component of equity on the balance sheet) and not recorded in current income until realized. At June 30, 2001, the fair value of this contract was estimated to be a $2.6 million loss.

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS

COMPETITIVE PRESSURES

Due to the limited number of new markets opening for development, 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 typically grown at a faster pace than demand in some markets and competition has increased significantly. Furthermore, several operators, including Harrah's, have announced plans for additional developments or expansions in some markets.

In September 1999, the State of California and approximately 60 Indian tribes executed Class III Gaming Compacts, which other California tribes can join. The Compacts, when effective, will allow each tribe to operate, on tribal trust lands, two casinos with up to 2,000 slot machines per tribe and unlimited house-banked card games. At this time, the ultimate impact that the California Compacts may have on the industry or on our Company is uncertain.

Although the short-term effect of these competitive developments on the Company has typically been negative, we are not able to determine the long-term impact, whether favorable or unfavorable, that these trends and events will have on current or future markets. We believe that the geographic diversity of our operations; our focus on multi-market customer relationships; our service training, measurements and rewards programs; and our continuing efforts to establish our brands as premier brands upon which we have built strong customer loyalty have well-positioned us to face the challenges present within our industry. We utilize the unique capabilities of WINet, a sophisticated nationwide customer database, and Total Rewards, a nationwide reward and recognition card that provides our customers with a simpler understanding of exactly how to earn cash, comps and other benefits they want, to reward customers for choosing Harrah's Entertainment casinos. We believe both of these marketing tools provide us with competitive advantages, particularly with players who visit more than one market. All of our properties are integrated into both WINet and Total Rewards, with the exception of Players Metropolis, which is expected to be integrated into the programs during the second half of 2001, and the just-purchased Harveys properties.

INDUSTRY CONSOLIDATION

As evidenced by the number of recent public announcements by casino entertainment companies of plans to acquire or be acquired by other companies and our completed acquisitions of Showboat, Players and Harveys and our merger with Rio, consolidation in the gaming industry continues. However, we have no immediate plans to pursue any other large-scale acquisitions in the near future.

POLITICAL UNCERTAINTIES

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

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

During first quarter 2001, the Emerging Issues Task Force reached a consensus on the portion of Issue 00-22, Accounting for "Points" and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future, which addresses the income statement classification of the value of the points redeemable for cash awarded under point programs like our Total Rewards program. Per the consensus, which for our Company was effective retroactively to January 1, 2001, with prior year restatement also required, the cost of these programs should be reported as a contra-revenue, rather than as an expense. Debate on a number of other facets of Issue 00-22 continues.

We have historically reported the costs of such points as an expense, so we have reclassified these costs to be contra-revenues in our Consolidated Condensed Statements of Income to comply with the consensus. The amounts of expense reclassified for second quarter and the six months ended June 30, 2000, were $3.0 million and $6.4 million, respectively.

On June 30, 2001, the Financial Accounting Standards Board approved Statements of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method. We will account for our acquisition of Harveys as a purchase. SFAS No. 142 provides new guidance on the recognition and amortization of intangible assets, eliminates the amortization of goodwill and requires annual assessments for impairment of goodwill by applying a fair-value-based test. We have not yet quantified the effect SFAS No. 142 will have on our financial statements. Upon adoption of SFAS No. 142, our net income will no longer reflect amortization of goodwill, however, certain other intangible assets will continue to be amortized. Net income could also be impacted by any charge for impairment of goodwill. These SFAS's are effective for years beginning after December 15, 2001. Early adoption is not permitted.

PRIVATE SECURITIES LITIGATION REFORM ACT

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain information included in this Form 10-Q and other materials filed or to be filed by the Company with the Securities and Exchange Commission ("SEC") (as well as information included in oral statements or other written statements made or to be made by the Company) contains statements that are forward-looking. These forward-looking statements generally can be identified by phrases such as the Company "believes," "expects," "anticipates," "foresees," "estimates," "intends," "plans," "seeks," or other words or phrases of similar import. These include statements relating to the following activities, among others: (A) operations and expansions of existing properties, including future performance, anticipated scope and opening dates of expansions; (B) planned development of casinos and hotels that would be owned or managed by the Company and the pursuit of strategic acquisitions; (C) planned capital expenditures for 2001 and beyond; (D) the impact of the WINet and Total Rewards Programs; and (E) any future impact of the Rincon development or the acquisition of Harveys. Similarly, such statements herein that describe, generally or specifically, the Company's business strategy, outlook objectives, plans, intentions or goals are also forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of the Company. These include, but are not limited to, the following factors as well as other factors described from time to time in the Company's reports filed with the SEC: construction factors, including zoning issues, environmental restrictions, soil conditions, weather and other hazards, site access matters and building permit issues; access to available and feasible financing; regulatory, licensing and

other government approvals, third party consents and approvals, and relations with partners, owners and other third parties; the inability to integrate the operations of acquired companies; conditions of credit markets and other business and economic conditions, including international and national economic problems; litigation, judicial actions and political uncertainties, including gaming legislative action, referenda, and taxation; abnormal gaming holds; construction disruptions and delays; ineffective marketing; and the effects of competition, including locations of competitors and operating and marketing competition. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made, and are qualified in their entirety by this and other cautionary statements herein and in our filings with the SEC. The statements in this 10-Q are as of June 30, 2001 or where clearly indicated as of the date of filing and we undertake no obligation to update any such forward-looking statements.

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. We do not currently utilize derivative transactions to hedge our exposure to interest rate changes. We do not hold or issue derivative financial instruments for trading purposes and do not enter into derivative transactions that would be considered speculative positions.

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.

We have entered into a fixed price agreement with a third party to stabilize our cost of natural gas. The agreement is for a 24-month term and fixes the commodity portion of our natural gas cost. Any unrealized gain or loss from this effective cash flow hedge, as determined pursuant to the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," is recorded as a component of comprehensive income. The estimated fair value of the contract as of June 30, 2001, was an unrealized loss of $2.6 million.

PART II
OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

*EX-2.1	Stock Purchase Agreement dated as of April 24, 2001 by and among Harrah's Entertainment, Inc., Colony HCR Voteco, LLC, Colony Investors III, L.P., and Harveys Casino Resorts.
*EX-10.1	Form of Amended and Restated 364-Day Loan Agreement dated as of April 26, 2001 among Harrah's Entertainment, Inc. as Guarantor, Harrah's Operating Company, Inc. and Marina Associates, as Borrowers, The Lenders, Syndication Agent, Documentation Agents and Bank of America, N.A., as Administrative Agent
*EX-10.2	Form of Second Amendment, dated as of April 26, 2001, to the Five Year Loan Agreement among Harrah's Entertainment, Inc. as Guarantor, Harrah's Operating Company, Inc. and Marina Associates, as Borrowers, The Lenders, Syndication Agent, Document Agents and Co-Documentation Agents and Bank of America National Trust and Savings Association (now known as Bank of America, N.A.), as Administrative Agent.
*EX-10.3	First Amendment, dated May 2, 2001, to the Executive Supplemental Savings Plan.
EX-10.4	Description of Amendments to Benefits for Non-Management Directors, effective February 21, 2001. (Incorporated by reference from the Company's Proxy Statement for the May 3, 2001 Annual Meeting of Shareholders, filed March 27, 2001.)

*EX-10.5	Amendment, dated as of May 9, 2001, to Deferred Compensation Agreement dated October 1, 1986, between Philip G. Satre and Harrah's Operating Company, successor to Harrah's Club, as amended January 1, 1987 and December 13, 1993.
*EX-10.6	Amendment to Employment Agreement, dated April 30, 2001, between Harrah's Operating Company, Inc. and John M. Boushy.
*EX-10.7	Severance Agreement dated April 23, 2001 between Harrah's Entertainment, Inc. and Charles L. Atwood.
*EX-11	Computation of per share earnings.

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* Filed herewith.

(b) The following reports on Form 8-K were filed by the Company during second quarter 2001.

(i) Form 8-K filed April 3, 2001, announcing that the bankruptcy reorganization of JCC Holding Company was consummated effective March 29, 2001.

(ii) Form 8-K filed April 18, 2001, regarding the Company's first-quarter results.

(iii) Form 8-K filed April 24, 2001, announcing the promotion of Gary W. Loveman as President, the resignation of Colin V. Reed, and the promotion of Charles L. Atwood as Chief Financial Officer.

(iv) Form 8-K filed April 25, 2001, announcing that the Company's intent to acquire Harveys Casino Resorts from Colony Capital Investors III, L.P.

(v) Form 8-K filed May 30, 2001 regarding the extension of the offer to exchange the 8.0 percent Senior Notes of Harrah's Operating Company, Inc.

(vi) Form 8-K filed June 11, 2001 announcing the pricing of $500 million 7.125 percent Senior Notes by Harrah's Operating Company, Inc.

(vii) Form 8-K filed June 12, 2001 regarding the second request from the Federal Trade Commission regarding the pending acquisition of Harveys.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HARRAH'S ENTERTAINMENT, INC.

August 13, 2001

By: /s/ ANTHONY D. MCDUFFIE

Anthony D. McDuffie
VICE PRESIDENT AND ASSISTANT CORPORATE CONTROLLER
(CHIEF ACCOUNTING OFFICER)

EXHIBIT INDEX

SEQUENTIAL EXHIBIT NO.	DESCRIPTION	PAGE NO.
- EX-2.1		

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Exhibit 2.1

STOCK PURCHASE AGREEMENT

DATED AS OF APRIL 24, 2001

AMONG

HARRAH'S ENTERTAINMENT, INC.

COLONY HCR VOTECO, LLC,

COLONY INVESTORS III, L.P.

AND

HARVEYS CASINO RESORTS

TABLE OF CONTENTS

PAGE

PAGE

TABLE OF DEFINED TERMS

TERMS	CROSS REFERENCE IN AGREEMENT
Accountants	Section 1.3(d)
Acquisition Proposal	Section 6.3(a)
Agreement	Preamble

TERMS	CROSS REFERENCE IN AGREEMENT
Benefit Arrangement	Section 3.14(a)
"best knowledge"	Section 9.3
Budget	Section 6.1
Class A Consideration	Section 1.3(a)
Class B Consideration	Section 1.3(a)
Closing	Section 1.2
Closing Date	Section 1.2
Closing Schedule	Section 1.3(c)
Code	Section 3.7(g)
Colony III	Preamble
Confidentiality Agreement	Section 6.6
Determination Date	Section 1.3(b)
Employee Plans	Section 3.14(a)
Environmental Condition	Section 3.13
Environmental Laws	Section 3.13
Environmental Liabilities and Costs	Section 3.13
ERISA	Section 3.14(a)
ERISA Affiliate	Section 3.14(a)
Exchange Act	Section 3.4(a)
Foreign Plan	Section 3.14(a)
GAAP	Section 3.4(b)
Governmental Approvals	Section 6.7(a)
Governmental Entity	Section 3.3(c)
Harrah's	Preamble
Harrah's Disclosure Schedule	Article V
Harrah's Gaming Laws	Section 5.6(b)
Harrah's Material Adverse Effect	Section 5.1
Harrah's Permits	Section 5.6(a)
Harveys	Preamble
Harveys Balance Sheet	Section 3.4(b)
Harveys Class A	Section 3.2(a)
Harveys Class B	Section 3.2(a)
Harveys Common Stock	Section 3.2(a)
Harveys Disclosure Schedule	Article III
Harveys Gaming Laws	Section 3.15(b)
Harveys Leased Property	Section 3.8(a)
Harveys Material Adverse Effect	Section 3.1
Harveys Material Contracts	Section 3.11(a)

TERMS	CROSS REFERENCE IN AGREEMENT
Harveys Owned Property	Section 3.8(a)
Harveys Permits	Section 3.15(a)
Harveys Preferred Stock	Section 3.2(a)
Harveys Real Property	Section 3.8(a)
Harveys SEC Reports	Section 3.4(a)
Harveys Stock Option Plan	Section 2.1
HSR Act	Section 3.3(c)
Indebtedness	Section 3.11(a)
Indemnified Parties	Section 6.9(a)
Information Statement	Section 3.16
Iowa West Letter of Credit	Section 1.3(b)
IRS	Section 3.7(h)
Joinder	Section 6.13
Lease Documents	Section 3.8(c)
Multiemployer Plan	Section 3.14(a)
Net Working Capital	Section 1.3(b)
Notifying Party	Section 6.7(a)
NRS	Section 3.19
Option Settlement Amount	Section 2.1
Options	Section 2.1
Pension Plan	Section 3.14(a)
Pinnacle Transaction	Section 3.11(c)
SEC	Section 3.3(c)
Securities Act	Section 3.4(a)
Seller Disclosure Schedule	Article IV
Sellers	Preamble
Sellers' Representative	Section 8.4
Sellers' Representative Certificate	Section 1.3(a)
Shares	Preamble
Special Flood Hazard Area	Section 3.8(f)
Subsidiary	Section 3.1
Tax Return	Section 3.7(h)
Taxes	Section 3.7(h)
Third Party	Section 6.3(a)
Total Transaction Consideration	Section 1.3(a)

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of April 24, 2001, by and among HARRAH'S ENTERTAINMENT, INC., a Delaware corporation ("Harrah's"), COLONY HCR VOTECO, LLC, a Delaware limited liability company ("Voteco"), COLONY INVESTORS III, L.P., a Delaware limited partnership ("Colony III"), those other persons executing a Joinder hereto pursuant to Section 6.13 hereof (collectively with Voteco and Colony III, "Sellers") and HARVEYS CASINO RESORTS, a Nevada corporation ("Harveys").

WHEREAS, Voteco and Colony III own, in the aggregate, at least 95% of all of the outstanding capital stock of Harveys;

WHEREAS, Sellers desire to sell, and Harrah's desires to purchase, all of the issued and outstanding shares of capital stock of Harveys (the "Shares"), for the consideration and on the terms set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth below, the parties agree as follows:

ARTICLE I.
SALE AND TRANSFER OF SHARES; CLOSING

Section 1.1 Basic Transaction. On and subject to the terms and conditions of this Agreement, Harrah's agrees to purchase from each of the Sellers, and each of the Sellers agrees to sell to Harrah's, all of his or its Shares for the consideration specified below in this Article I.

Section 1.2 Closing. The purchase and sale (the "Closing") provided for in this Agreement will take place at such time and place to be agreed upon by Harrah's, Harveys and the Sellers' Representative, on a date to be specified by Harrah's, Harveys and the Sellers' Representative, which shall be no later than the fifth business day after satisfaction or, if permissible, waiver of the conditions set forth in Article VII (the "Closing Date"), unless another date is agreed to by Harrah's, Harveys and the Sellers' Representative.

Section 1.3 Purchase Price.

(a) The Sellers shall be entitled to a total transaction consideration (the "Total Transaction Consideration") to be calculated pursuant to this Section 1.3, to be allocated among them pursuant to the direction of Colony III, as evidenced by a certificate signed by the general partner thereof in the form set forth as Exhibit 1.3(a) hereto (the "Sellers' Representative Certificate"), certifying as to the allocation of such consideration and indicating the per share allocation for each of the Harveys Class A and the Harveys Class B (the "Class A Consideration" and the "Class B Consideration," respectively). Payment of the Total Transaction Consideration shall be made in the manner described in this Section 1.3.

(b) The "Total Transaction Consideration" shall equal: (i) $625 million, MINUS (ii) the sum of (A) the amount, as set forth on the balance sheet of Harveys as of the last day of

the month immediately preceding the Closing Date (the "Determination Date"), in accordance with GAAP, without duplication, of indebtedness for borrowed money (long-term and short-term (including current portion of long-term debt)), capitalized lease obligations, synthetic lease obligations, obligations with respect to letters of credit (other than letters of credit with respect to up to $3.75 million of workers compensation obligations and the letter of credit for $45 million established pursuant to, and any other amounts payable under (to the extent the same are set forth on the balance sheet), the Purchase and Sale Agreement and Joint Escrow Instructions, dated as of August 31, 1999, as amended October 6, 1999, by and between HBR Realty Company, Inc. and Iowa West Racing Association (the "Iowa West Letter of Credit")), (B) other guarantees of indebtedness to third parties of the types set forth in clause (ii)(A) and (C) all payments due to Charles W. Scharer pursuant to the Separation Agreement, dated as of January 4, 2001, by and between Harveys and Charles W. Scharer, calculated as of and fully satisfied on the Closing Date, MINUS (iii) an amount

equal to $20,155,000 (reflecting the agreed upon appropriate amount of cash and cash equivalents to be on hand at the Determination Date), PLUS (iv) the amount of cash and cash equivalents actually on hand as of the Determination Date, PLUS (v) the proceeds (net of any amounts required to be withheld for related taxes) of the exercise of any stock option exercises from the date hereof to and including the Determination Date, PLUS (vi) any increase in the amount of Net Working Capital between that set forth on Schedule 1.3(b) hereto and the Net Working Capital as of the Determination Date, PLUS (vii) any payments up to $8,100,000 made pursuant to the Vision Iowa Project Memorandum of Understanding, dated as of December 19, 2000, substantially in accordance with the Budget, MINUS (viii) any decrease in the amount of Net Working Capital between that set forth on Exhibit 1.3(b) hereto and the Net Working Capital as of the Determination Date, PLUS (ix) the amount of any unbudgeted expenditures made by Harveys after the date hereof and on or prior to the Determination Date that require Harrah's' consent under this Agreement and that have been made with the consent of Harrah's, MINUS (x) any amounts payable upon or after the Closing to investment bankers and financial advisors of Harveys with respect to services rendered in connection with the transactions contemplated hereby in excess of $4,000,000, MINUS (xi) any amounts payable upon or after the Closing to counsel of Harveys with respect to the transactions contemplated hereby in excess of $1,000,000 MINUS (xii) the amount paid in cancellation of Options, together with any related holdback, pursuant to Section 2.1, including any amounts required to be withheld therefrom for related taxes, PLUS (xiii) the unamortized premium of Harveys' 10 5/8% Senior Subordinated Notes, PLUS (xiv) $110,000 per day following the Determination Date up to but not including the Closing Date, MINUS (xv) the amount of any budgeted capital expenditures provided in the Budget that Harveys fails to make (such expenditures to be calculated as $42,500 per day from the date hereof to but not including the Closing Date), MINUS (xvi) the amount of any obligation to make any payment (whether in cash or other property) agreed or committed to by Harveys or any of its Subsidiaries, whether existing on the date hereof or incurred thereafter, through the Closing Date, MINUS (xvii) for the purpose of paying out the total consideration due to the stockholders of Harveys at the Closing, without duplication, the pro rata amount of Total Transaction Consideration as determined in (i) through (xvi) above to be paid at or after the Closing to other Harveys stockholders as of the Closing Date that have not executed Joinders in accordance with Section 6.13 prior to the Closing Date. "Net Working Capital" shall equal (x) the sum of all current assets (other than cash and cash equivalents), MINUS (y) the sum of all current liabilities (other than short-term debt indebtedness (including current portion of long-term debt) and other obligations referred to in clause (ii) above), it being expressly agreed for purposes of avoiding

any double counting that any amount or item which would otherwise be included in the calculation of Net Working Capital but is otherwise an addition or deduction pursuant to the calculation of Total Transaction Consideration shall be excluded from the calculation of Net Working Capital, both as of the Determination Date and as of February 28, 2001. By way of example only and for purposes of clarification, Exhibit 1.3(b) sets forth a calculation of the Total Transaction Consideration using the Harveys balance sheet as of February 28, 2001.

(c) On or prior to the Closing Date, Harveys shall deliver a calculation of the Total Transaction Consideration as of the Closing Date, using the form of calculation thereof as illustrated in Exhibit 1.3(b) hereto (the "Closing Schedule"). The Total Transaction Consideration shall be paid by Harrah's to Sellers in accordance with this Section 1.3 on the Closing Date. Notwithstanding any change with respect to Harveys' accounting policies or procedures subsequent to the date hereof, the accounting policies and procedures used to calculate Total Transaction Consideration or to produce the Closing Statement shall be the same as those in effect on the date hereof.

(d) Post-Closing Adjustment. If within twenty days following the Closing Date Harrah's has not given to the Sellers' Representative notice of its objection to the Closing Schedule (such notice must contain a statement of the basis of Harrah's' objection), then the Total Transaction Consideration as calculated pursuant to the foregoing shall be deemed accepted. If Harrah's gives such notice of objection, then the issues in dispute will be submitted to Deloitte & Touche LLP, certified public accountants (the "Accountants"), for resolution and the Accountants shall issue a report with respect to such issue not later than 20 days after such submission. If issues in dispute are submitted to the Accountants for resolution, (i) each party will furnish to the Accountants such workpapers and other documents and information relating to the disputed issues as the Accountants may request and are available to that party or its Subsidiaries (or its independent public accountants), and will be afforded the opportunity to present to the Accountants any material relating to the determination and to discuss the determination with the Accountants; (ii) the determination by the Accountants, as set forth in a notice delivered to both parties by the Accountants, will be binding and conclusive on the parties; and

(iii) Harrah's and the Sellers will each bear 50% of the fees of the Accountants for such determination; PROVIDED, HOWEVER, that if the Accountants determine that the Total Transaction Consideration should be adjusted downward by an amount in excess of $5.0 million or upward by an amount in excess of $5.0 million, then Sellers, in the case of a downward adjustment, or Harrah's, in the case of an upward adjustment, shall bear the fees of such Accountants.

(e) On the third business day following the earlier of (i) the final determination by the Accountants of the amount of the Total Transaction Consideration pursuant to Section 1.3(d), if such Total Transaction Consideration is greater than the aggregate of the payments made pursuant to Section 1.3(b), Harrah's will pay the difference to Sellers and holders of Options cashed out pursuant to Section 2.1 and other Harveys stockholders that have not executed Joinders and whose shares have been repurchased by Harveys at Closing, to be allocated on a per share basis consistent with the manner utilized at Closing, and if such Total Transaction Consideration is less than such aggregate amount, Sellers and holders of Options cashed out pursuant to Section 2.1 and other Harveys stockholders that have not executed Joinders and whose shares have been repurchased by Harveys at Closing, on a per share basis consistent with

the manner utilized at Closing, will pay the difference to Harrah's. All payments will be made together with interest at 7.0% compounded daily beginning on the Closing Date and ending on the date of payment. Payments must be made in immediately available funds. Payments to Harrah's must be made by wire transfer to such bank account as Harrah's will specify.

Section 1.4 Closing Deliveries.

(a) Sellers will deliver to Harrah's on the Closing Date:

(i) certificates representing the Shares, duly endorsed (or accompanied by duly executed stock powers), with signatures guaranteed by a commercial bank, for transfer to Harrah's;

(ii) the resignation of Thomas J. Barrack, Jr. as the sole director of Harveys and each of its Subsidiaries;

(iii) FIRPTA certificates in form and substance reasonably satisfactory to Harrah's;

(iv) a certificate executed by each Seller to the effect that such Seller's representations and warranties set forth in this Agreement were true and correct in all material respects as of the date of this Agreement and are accurate in all material respects as of the Closing Date as though made on and as of the Closing Date, except for changes contemplated or permitted by this Agreement; and

(b) Harrah's will deliver to Sellers on the Closing Date:

(i) the Total Transaction Consideration as determined in Section 1.3, via wire transfer as directed by the Sellers' Representative in writing; and

(ii) the certificates required by Sections 7.2(a) and 7.2(b).

(c) Harrah's will deliver to Harveys on the Closing Date:

(i) the capital contribution to Harveys as specified in Section 2.1; and

(ii) any amounts required to repurchase shares of other Rabbit stockholders that have not executed Joinders pursuant to Section 6.13 that are being repurchased at Closing.

ARTICLE II.
EFFECT OF THE CLOSING ON OPTIONS OF HARVEYS

Section 2.1 Harveys Option Plan. Concurrently with the Closing, each unexpired and unexercised outstanding option, whether or not then vested or exercisable in accordance with its terms, to purchase shares of Harveys Common Stock ("Options") previously granted by Harveys or its Subsidiaries under Harveys' 1999 Omnibus Incentive Plan (the "Harveys Stock Option Plan") will become exercisable in full and each holder of an Option shall be entitled to receive from Harveys in cancellation thereof a payment (subject to applicable income tax withholding,

employer taxes and a holdback amount set forth in the Sellers' Representative Certificate) in an amount equal to (i) the excess, if any, of the applicable Class A Consideration or Class B Consideration, as the case may be, over the per share exercise price of such Option, multiplied by (ii) the number of shares of Harveys Common Stock subject to such Option (the "Option Settlement Amount"). The Option Settlement Amount, less the holdback amount set forth in the Sellers' Representative Certificate, shall be paid in cash concurrently with the Closing. In order to facilitate such payment, Harrah's concurrently with the Closing shall acquire shares of capital stock from Harveys for an aggregate purchase price equal to the aggregate Option Settlement Amount (plus applicable income tax withholding, employer taxes and heldback amounts) payable to all such Harveys Option holders. The Option Settlement Amount shall be paid in cash concurrently with the Closing. From and after the Closing, there shall be no outstanding and exercisable Options. The surrender of an Option shall be deemed a release of any and all rights the holder had or may have in respect of such Option. The Harveys Stock Option Plan and any and all other agreements, plans, programs or arrangements of Harveys and its Subsidiaries that provide for the issuance or grant of Options or any other interest in respect of the capital stock of Harveys or capital stock of or other ownership interest in any of its Subsidiaries shall terminate as of the Closing. Immediately following the Closing, no holder of an Option or any participant in the Harveys Stock Option Plan or any other agreement, plan, program or arrangement of Harveys shall have any right thereunder to acquire equity securities or other ownership interests of Harveys or any Subsidiary thereof.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF HARVEYS

Harveys represents and warrants to Harrah's that the statements contained in this Article III are true and correct except as set forth herein and in the disclosure schedule delivered by Harveys to Harrah's on or before the date of this Agreement (the "Harveys Disclosure Schedule"). The Harveys Disclosure Schedule shall be arranged in paragraphs corresponding to the numbered and lettered paragraphs contained in this Article III and the disclosure in any paragraph shall qualify other paragraphs in this Article III.

Section 3.1 Organization of Harveys and its Subsidiaries. Each of Harveys and its Subsidiaries (as defined below) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite corporate, partnership or limited liability company power and authority to carry on its business as now being conducted and as proposed to be conducted prior to the Closing. Each of Harveys and its Subsidiaries is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so qualified, licensed or in good standing would not have a material adverse effect on the business, properties, condition (financial or otherwise), results of operations or prospects of Harveys and its Subsidiaries, taken as a whole, or any of the three separate businesses operated as the Harveys Resort & Casino -- Lake Tahoe, Harveys Casino/Hotel Council Bluffs and Bluffs Run Casino (a "Harveys Material Adverse Effect"); PROVIDED, HOWEVER, that the following, individually and in the aggregate, shall be excluded from the definition of "Harveys Material Adverse Effect" and from any determination as to whether any Harveys Material Adverse Effect has occurred or may occur: any

reduction, in and of itself, in historic or prospective revenues, net income or EBITDA of Harveys C.C. Management Company, Inc. or Harveys Wagon Wheel Hotel/Casino. Harveys has delivered to Harrah's a true and correct copy of the Articles of Incorporation and Bylaws of Harveys and each of its Subsidiaries, in each case as amended to the date of this Agreement. Assuming compliance by Harrah's, its Subsidiaries and their key employees with all Harveys Gaming Laws (as defined in Section 3.15(b)) (including obtaining all necessary consents and approvals), the respective organizational documents of Harveys' Subsidiaries do not contain any provision that would limit or otherwise restrict the ability of Harrah's, following the Closing, from owning or operating such Subsidiaries on the same basis as Harveys. Except as set forth in Harveys SEC Reports (as defined in Section 3.4(a)) filed prior to the date hereof or as disclosed in Section 3.1 of the Harveys Disclosure Schedule, neither Harveys nor any of its Subsidiaries directly or indirectly owns (other than ownership interests in Harveys or in one or more of its Subsidiaries) any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for, any corporation, partnership, joint venture or other business association or entity.

As used in this Agreement, the word "Subsidiary" means, with respect to any party, any corporation or other organization, whether incorporated or unincorporated, of which (i) such party or any other Subsidiary of such party is a general partner or (ii) at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the Board of Directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such party or by any one or more of its Subsidiaries, or by such party and one or more of its Subsidiaries.

Section 3.2 Capitalization.

(a) The authorized capital stock of Harveys consists of 20,000,000 shares of Harveys common stock, consisting of 10,000,000 shares of Harveys Class A Common Stock, par value $0.01 per share ("Harveys Class A"), and 10,000,000 shares of Harveys Class B Common Stock, par value $0.01 per share ("Harveys Class B" and, together with Harveys Class A, "Harveys Common Stock"), and 1,000,000 shares of preferred stock, $0.01 par value per share ("Harveys Preferred Stock"). As of the date hereof, (i) 68,876 shares of Harveys Class A were issued and outstanding, all of which are validly issued, fully paid and nonassessable, (ii) 7,268,427 shares of Harveys Class B were issued and outstanding, all of which are validly issued, fully paid and nonassessable, and (iii) no shares of Harveys Preferred Stock are issued and outstanding. Section 3.2(a) of the Harveys Disclosure Schedule sets forth the number of shares of Harveys Common Stock reserved for issuance upon exercise of Options granted and outstanding as of the date hereof. Section 3.2(a) of the Harveys Disclosure Schedule also sets forth, for the Harveys Stock Option Plan, the dates on which Options under the plan were granted, the number of Options granted on each such date and the exercise price thereof. Since February 28, 2001, Harveys has not made any grants under the Harveys Stock Option Plan. As of the date of this Agreement, Harveys has not granted any stock appreciation rights or any other contractual rights the value of which is derived from the financial performance of Harveys or the value of shares of Harveys Common Stock. There are no obligations, contingent or otherwise, of Harveys or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of Harveys Common Stock or the capital stock or ownership interests of any Subsidiary or to provide funds to or make any material investment (in the form of a loan, capital contribution or otherwise) in any such Subsidiary or any other entity other than guarantees of bank obligations or

indebtedness for borrowed money entered into in the ordinary course of business. All of the outstanding shares of capital stock (including shares which have been issued upon exercise of outstanding options) or other ownership interests of each of Harveys' Subsidiaries are duly authorized, validly issued, fully paid and nonassessable and, except as disclosed in Section 3.2(a) of the Harveys Disclosure Schedule, all such shares and ownership interests are owned by Harveys or another Subsidiary of Harveys free and clear of all security interests, liens, claims, pledges, agreements, limitations on Harveys' voting rights, charges or other encumbrances or restrictions on transfer of any nature, other than imposed by applicable gaming laws.

(b) There are no bonds, debentures, notes or other indebtedness of Harveys or any of its Subsidiaries having voting rights (or convertible into securities having such rights) ("Voting Debt") issued and outstanding. Except as set forth in Section 3.2(b) of the Harveys Disclosure Schedule or as reserved for future grants of options or restricted stock under the Harveys Stock Option Plan as of the date hereof, (i) there are no shares of capital stock of any class of Harveys, or any security exchangeable into or exercisable for such equity securities, issued, reserved for issuance or outstanding; (ii) there are no options, warrants, equity securities, calls, rights, commitments or agreements of any character to which Harveys or any of its Subsidiaries is a party or by which it is bound obligating Harveys or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other ownership interests (including Voting Debt) of Harveys or any of its Subsidiaries or obligating Harveys or any of its Subsidiaries to grant, extend, accelerate the vesting of or enter into any such option, warrant, equity security, call, right, commitment or agreement; and (iii) there are no voting trusts, proxies or other voting agreements or understandings to which Harveys or any of its Subsidiaries is a party or by which it or they are bound with respect to the shares of capital stock of Harveys. All shares of Harveys Common Stock subject to issuance as specified in this Section 3.2(b) are duly authorized and, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, shall be validly issued, fully paid and nonassessable. Harveys shall have the right at the Closing pursuant to the Harveys stock option and restricted stock agreements to repurchase all of the outstanding shares of Harveys Common Stock, other than those held by any Seller, for the same price per share as the price

to be paid to Sellers.

(c) Section 3.2(c) of the Harveys Disclosure Schedule sets forth all stockholders of Harveys and the number of shares of Harveys Common Stock owned by each.

Section 3.3 Authority; No Conflict; Required Filings and Consents.

(a) Harveys has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions to which it is a party that are contemplated by this Agreement. The execution and delivery of this Agreement by Harveys and the consummation by Harveys of the transactions to which it is a party that are contemplated by this Agreement have been duly authorized by all necessary corporate action on the part of Harveys. This Agreement has been duly executed and delivered by Harveys and, assuming this Agreement constitutes the valid and binding obligation of the other parties hereto, constitutes the valid and binding obligation of Harveys, enforceable against Harveys in accordance with its terms, subject, as to enforcement, to (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereinafter in effect affecting creditors' rights generally and (ii) general principles of equity.

(b) Other than as disclosed in Section 3.3(b) of the Harveys Disclosure Schedule, the execution and delivery of this Agreement by Harveys does not, and the consummation by Harveys of the transactions to which it is a party that are contemplated by this Agreement will not, (i) conflict with, or result in any violation or breach of, any provision of the Articles of Incorporation or Bylaws of Harveys or the comparable charter or bylaws of any of its Subsidiaries, (ii) result in any violation or breach of, or constitute (with or without notice or lapse of time, or both) a default (or give rise to a right of termination, cancellation or acceleration of any obligation or loss of any material benefit) under, or require a consent or waiver under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, contract or other agreement, instrument or obligation to which Harveys or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound, or (iii) subject to the governmental filings and other matters referred to in Section 3.3(c), conflict with or violate any permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Harveys or any of its Subsidiaries or any of its or their properties or assets, except in the case of clauses (ii) and (iii) for any such breaches, conflicts, violations, defaults, terminations, cancellations, accelerations, losses or failures to obtain any such consent or waiver which (x) are not, individually or in the aggregate, reasonably likely to have a Harveys Material Adverse Effect or (y) would not materially impair or materially delay the Closing.

(c) No consent, approval, order or authorization of, or registration, declaration or filing with, any court, administrative agency, commission, gaming authority or other governmental authority or instrumentality ("Governmental Entity") is required by or with respect to Harveys or any of its Subsidiaries in connection with the execution and delivery of this Agreement by Harveys or the consummation by Harveys or such Subsidiaries of the transactions to which it is or they are a party that are contemplated hereby, except for (i) the filing of the pre-merger notification report under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR Act"), (ii) the filing of the Information Statement (as defined in Section 3.16 below) with the Securities and Exchange Commission (the "SEC") in accordance with the Exchange Act, (iii) any approvals and filing of notices required under the Harveys Gaming Laws (as defined in Section 3.15(b)), (iv) such consents, approvals, orders, authorizations, permits, filings, declarations or registrations related to, or arising out of, compliance with statutes, rules or regulations regulating the consumption, sale or serving of alcoholic beverages or the renaming or rebranding of the operations of Harveys and its Subsidiaries, (v) such consents, approvals, orders, authorizations, permits, registrations, declarations and filings as may be required under applicable state securities laws, (vi) such filings and consents as may be required under any environmental health or safety law or regulation pertaining to any notification, disclosure or required approval triggered by the Closing or the transactions contemplated by this Agreement, the failure of which to make or obtain, respectively, would not be reasonably likely to result in a Harveys Material Adverse Effect, (vii) such other filings, consents, approvals, orders, authorizations, permits, registrations and declarations as may be required under the laws of any jurisdiction in which Harveys or any of its Subsidiaries conducts any business or owns any assets the failure of which to make or obtain would not be reasonably likely to have a Harveys Material Adverse Effect and (viii) any consents, approvals, orders, authorizations, registrations, permits, declarations or filings required by Harrah's, any of its Subsidiaries,

affiliates or key employees (including, without limitation, under the Harrah's Gaming Laws (as defined in Section 5.6(b)).

Section 3.4 Public Filings; Financial Statements.

(a) Harveys has filed all forms, reports and documents required to be filed by Harveys with the SEC since February 28, 1999 (collectively, the "Harveys SEC Reports"). The Harveys SEC Reports (including any financial statements filed as a part thereof or incorporated by reference therein) (i) at the time filed (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such subsequent filing), complied in all material respects with the applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), and Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as the case may be, and (ii) did not, at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such subsequent filing), contain any untrue statement of a material fact or omit to state a material fact required to be stated in such Harveys SEC Reports or necessary in order to make the statements in such Harveys SEC Reports, in the light of the circumstances under which they were made, not misleading. None of Harveys' Subsidiaries is required to file forms, reports or other documents with the SEC.

(b) Each of the consolidated financial statements (including, in each case, any related notes) of Harveys contained in the Harveys SEC Reports filed prior to the date hereof complied as to form in all material respects with the applicable published rules and regulations of the SEC with respect thereto in effect at the time of such filing, was prepared in accordance with generally accepted accounting principles ("GAAP") in effect at the time of such preparation applied on a consistent basis throughout the periods involved (except as may be indicated in the notes to such financial statements or, in the case of unaudited statements, as permitted by Form 10-Q under the Exchange Act) and fairly presented in all material respects the consolidated financial position of Harveys and its consolidated Subsidiaries as of the dates, and the consolidated results of its operations and cash flows for the periods, indicated, except that the unaudited interim financial statements were or are subject to normal and recurring year-end adjustments which, with respect to interim periods since November 30, 2000, were not or are not expected to be material in amount. The unaudited balance sheet of Harveys as of February 28, 2001 is referred to herein as the "Harveys Balance Sheet."

Section 3.5 No Undisclosed Liabilities. Except as disclosed in the Harveys SEC Reports filed prior to the date hereof or in Section 3.5 of the Harveys Disclosure Schedule, and except for liabilities and obligations incurred since November 30, 2000 in the ordinary course of business consistent with past practices, Harveys and its consolidated Subsidiaries do not have any indebtedness, obligations or liabilities of any kind, whether accrued, contingent or otherwise (whether or not required to be reflected in financial statements in accordance with GAAP), and whether due or to become due, which would be reasonably likely to have a Harveys Material Adverse Effect. Neither Harveys nor its Subsidiaries has any financial obligation in respect of its or their interest in the City of South Lake Tahoe redevelopment plan pursuant to the Memorandum of Understanding, dated as of January 3, 1995, by and between the South Tahoe Redevelopment Agency, and Harveys Resort Hotel/Casino - Lake Tahoe, as amended by that certain Addendum No. 1, dated January 2, 1996, as further amended by that certain Addendum No. 2, dated as of January 7, 1997, as further amended by that certain Addendum No. 3, dated as

of January 19, 1999, and as further amended by that certain Addendum No. 4, dated as of January 16, 2001

Section 3.6 Absence of Certain Changes or Events. As of the date hereof, except as disclosed in the Harveys SEC Reports filed prior to the date hereof or in Section 3.6 of the Harveys Disclosure Schedule, since the date of the Harveys Balance Sheet, Harveys and its Subsidiaries have conducted their businesses only in the ordinary course and in a manner consistent with past practice and, since such date, there has not been (i) any event, development, state of affairs or condition, or series or combination of events, developments, states of affairs or conditions, which, individually or in the aggregate, has had or is reasonably likely to have a Harveys Material Adverse Effect; (ii) any damage, destruction or loss (whether or not covered by insurance) with respect to Harveys or any of its Subsidiaries which is reasonably likely to have a Harveys Material Adverse Effect; (iii) any material change by Harveys in its accounting methods, principles or practices of which Harrah's has not previously been informed; (iv)

any revaluation by Harveys of any of its assets which is reasonably likely to have a Harveys Material Adverse Effect; (v) any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to the equity interests of Harveys or of any of its Subsidiaries, or any redemption, purchase or other acquisition by Harveys or any of its Subsidiaries of any securities of Harveys or any of its Subsidiaries; (vi) any split, combination or reclassification of any of Harveys' capital stock or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for, shares of Harveys' capital stock; (vii) any increase in or establishment of any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option, stock purchase or other employee benefit plan, or any other increase in the compensation payable or to become payable to any officers or key employees of Harveys or any Subsidiary other than increases which would not be material, individually or in the aggregate, with respect to such officers or employees receiving such benefit or compensation (based on a comparison to benefits and compensation received in the year ended November 30, 2000); (viii) any entry into, renewal, modification or extension of, any material contract, arrangement or agreement between Harveys or its Subsidiaries, on the one hand, and with any other party, on the other hand, except for contracts, arrangements or agreements made in the ordinary course of business or as contemplated by this Agreement; or (ix) any settlement of pending or threatened litigation involving Harveys or any of its Subsidiaries (whether brought by a private party or a Governmental Entity) other than any settlement which is not reasonably likely to have a Harveys Material Adverse Effect.

Section 3.7 Taxes.

(a) Each of Harveys and its Subsidiaries has timely filed with the appropriate taxing authorities all material Federal, state and local income Tax Returns (as defined in Section 3.7(h)) and all other material Tax Returns required to be filed through the date hereof and will timely file any such returns required to be filed on or prior to the Closing Date. Such Tax Returns and other information filed are (and, to the extent they will be filed prior to the Closing, will be) complete and accurate in all material respects. None of Harveys or its Subsidiaries has pending any request for an extension of time within which to file federal, state or local income Tax Returns. Harveys has provided to Harrah's copies of Harveys' Federal and state income Tax Returns for the taxable years ended November 30, 1997, November 30, 1998 and November 30, 1999.

(b) All Taxes (as defined in Section 3.7(h)) in respect of periods beginning before the Closing Date have been paid or will be timely paid, or an adequate reserve has been or will be established therefor in accordance with GAAP by each of Harveys and its Subsidiaries subject to such exceptions as are not likely to have a Harveys Material Adverse Effect.

(c) No Federal, state, local or foreign audits or other administrative proceedings or court proceedings are presently pending with regard to any material Taxes or material Tax Returns of any of Harveys or its Subsidiaries subject to such exceptions as are not likely to have a Harveys Material Adverse Effect. Neither Harveys nor any of its Subsidiaries has received a written notice of any such pending audits or proceedings. There are no outstanding waivers extending the statutory period of limitation relating to the payment of Taxes due from Harveys or any of its Subsidiaries.

(d) Neither the IRS nor any other taxing authority (whether domestic or foreign) has asserted in writing, or to the best knowledge of Harveys, is threatening to assert, against Harveys or any of its Subsidiaries any material deficiency or material claim for Taxes in excess of the reserves established therefor except as which is not likely to have a Harveys Material Adverse Effect.

(e) There are no liens for Taxes upon any property or assets of Harveys or any Subsidiary thereof, except for liens for Taxes not yet due and payable and liens for Taxes that are being contested in good faith by appropriate proceedings as set forth in the Harveys Disclosure Schedule and as to which adequate reserves have been established in accordance with GAAP except as which would not be reasonably likely to have a Harveys Material Adverse Effect.

(f) Neither Harveys nor any of its Subsidiaries has any obligation under any Tax sharing agreement or similar arrangement with any other person or entity with respect to Taxes of such other person or entity.

(g) Neither Harveys nor any of its Subsidiaries has, with regard to any assets or property held or acquired by any of them, filed a consent to the application of Section 341(f) of the Internal Revenue Code of 1986, as amended

(the "Code"), or agreed to have Section 341(f)(2) of the Code apply to any disposition of a subsection (f) asset (as such term is defined in Section 341(f)(4) of the Code) owned by Harveys or any of its Subsidiaries, except as which would not be reasonably likely to have a Harveys Material Adverse Effect;

(h) "Taxes" shall mean any and all taxes, charges, fees, levies, duties, liabilities, impositions or other assessments, including, without limitation, income, gross receipts, profits, excise, real or personal property, environmental, recapture, sales, use, value-added, withholding, social security, retirement, employment, unemployment, occupation, service, license, net worth, payroll, franchise, gains, stamp, transfer and recording taxes, fees and charges, imposed by the Internal Revenue Service ("IRS") or any other taxing authority (whether domestic or foreign including, without limitation, any state, county, local or foreign government or any subdivision or taxing agency thereof (including a United States possession)), whether computed on a separate, consolidated, unitary, combined or any other basis; and such term shall include any interest whether paid or received, fines, penalties or additional amounts attributable to, or imposed upon, or with respect to, any such taxes, charges, fees, levies, duties, liabilities, impositions or other

assessments. For purposes of this Agreement, "Taxes" also includes any obligations under any agreements or arrangements with any other person or entity with respect to Taxes of such other person or entity (including pursuant to Treas. Reg. ss. 1.1502-6 or comparable provisions of state, local or foreign tax law) and including any liability for Taxes of any predecessor entity. "Tax Return" shall mean any report, return, document, declaration or other information or filing required to be supplied to any taxing authority or jurisdiction (foreign or domestic) with respect to Taxes, including attachments thereto and amendments thereof, and including, without limitation, information returns, any documents with respect to or accompanying payments of estimated Taxes, or with respect to or accompanying requests for the extension of time in which to file any such report, return, document, declaration or other information.

Section 3.8 Real Property.

(a) Section 3.8(a) of the Harveys Disclosure Schedule identifies all real property owned by Harveys and its Subsidiaries (the "Harveys Owned Property") and all real property leased or operated by Harveys and its Subsidiaries (the "Harveys Leased Property"). The Harveys Owned Property and the Harveys Leased Property is referred to herein collectively as the "Harveys Real Property."

(b) Harveys and its Subsidiaries have good and marketable fee simple title to the Harveys Owned Property, and a valid leasehold interest in the Harveys Leased Property, free and clear of any and all liens, encumbrances, restrictions, leases, options to purchase, options to lease, covenants, assessments, defects, claims or exceptions, except for the exceptions described in the Lease Documents (as defined below) or the exceptions described in the Harveys SEC Reports or such other liens or exceptions that do not and would not, individually or in the aggregate, materially interfere with the use of the Harveys Real Property as currently used or would not be reasonably likely to have a Harveys Material Adverse Effect.

(c) True and correct copies of the documents under which the Harveys Leased Property is leased or operated (the "Lease Documents") have been delivered or made available for review to Harrah's. The Lease Documents are unmodified and in full force and effect, and there are no other agreements, written or oral, between Harveys or any of its Subsidiaries in the Harveys Leased Property or otherwise relating to the use and occupancy of the Harveys Owned Property or Harveys Leased Property. None of Harveys, its Subsidiaries or, to the best knowledge of Harveys and its Subsidiaries, any other party, is in material default under the Lease Documents, and, to the best knowledge of Harveys, no defaults (whether or not subsequently cured) by Harveys, its Subsidiaries or any other party have been alleged thereunder. To the best knowledge of Harveys and its Subsidiaries: (i) each landlord named in any of the Lease Documents is not in material default thereunder, and (ii) no material defaults (whether or not subsequently cured) by such landlord have been alleged thereunder.

(d) Except as disclosed in Section 3.8(d) of the Harveys Disclosure Schedule, (i) except as otherwise disclosed in written materials made available to Harrah's or in Section 3.13 of the Harveys Disclosure Schedule, to the best knowledge of Harveys and its Subsidiaries, no land or property adjacent to the Harveys Real Property is in material violation of any applicable laws, regulations or Restrictions, except for such violations which, individually or in the aggregate, would not be reasonably likely to result in a Harveys Material Adverse Effect; and

(ii) there are no material defects in the physical condition of the Harveys Real Property or the improvements located on the Harveys Real Property, except for defects which, individually or in the aggregate, would not be reasonably likely to have a Harveys Material Adverse Effect.

(e) Except as disclosed in Section 3.8(e) of the Harveys Disclosure Schedule, neither Harveys nor any of its Subsidiaries has received written notice of, or has any actual knowledge of, any action, proceeding or litigation pending (and, to the best knowledge of Harveys and its Subsidiaries, overtly contemplated or threatened) (i) to take all or any portion of the Harveys Real Property, or any interest therein, by eminent domain; (ii) to modify the zoning of, or other governmental rules or restrictions applicable to, the Harveys Real Property or the use or development thereof; (iii) for any street widening or changes in highway or traffic lanes or patterns in the immediate vicinity of the Harveys Real Property; or (iv) otherwise relating to the Harveys Real Property or the interests of Harveys and its Subsidiaries therein, which would be reasonably likely to interfere with the use, ownership, improvement, development and/or operation of the Harveys Real Property; in each case except for such actions, proceedings or litigation which, individually or in the aggregate, would not be reasonably likely to have a Harveys Material Adverse Effect.

(f) Except as disclosed in Section 3.8(f) of the Harveys Disclosure Schedule, no portion of the Harveys Real Property or the roads immediately adjacent to and currently utilized to access the Harveys Real Property: (i) is situated in a "Special Flood Hazard Area," as set forth on a Federal Emergency Management Agency Flood Insurance Rate Map or Flood Hazard Boundary Map; (ii) except as otherwise disclosed in written materials made available to Harrah's or in Section 3.13 of the Harveys Disclosure Schedule, to the best knowledge of Harveys and its Subsidiaries, was the former site of any public or private landfill, dump site, retention basin or settling pond; (iii) except as otherwise disclosed in written materials made available to Harrah's or in Section 3.13 of the Harveys Disclosure Schedule, to the best knowledge of Harveys and its Subsidiaries, was the former site of any oil or gas drilling operations; or (iv) except as otherwise disclosed in written materials made available to Harrah's or in Section 3.13 of the Harveys Disclosure Schedule, to the best knowledge of Harveys and its Subsidiaries, was the former site of any experimentation, processing, refining, reprocessing, recovery or manufacturing operation for any petrochemicals.

(g) The parcels constituting the Harveys Owned Property are assessed separately from all other adjacent property not constituting Harveys Owned Property for purposes of real property taxes and except as disclosed in Section 3.8(g) of the Harveys Disclosure Schedule to the best knowledge of Harveys and its Subsidiaries the property leased to the applicable Harveys Subsidiary pursuant to each applicable Lease Document and each of the Parcels of the Harveys Owned Real Property complies with all applicable subdivision, land parcelization and local governmental taxation or separate assessment requirements, without reliance on property not constituting Harveys Real Property.

(h) Except as disclosed in Section 3.8(h) of the Harveys Disclosure Schedule, the Harveys Real Property is connected to and serviced by adequate water, sewage disposal, gas and electricity facilities and all material systems (including, without limitation, heating, air conditioning, electrical, plumbing and fire/life safety systems) for the basic operation of the

Harveys Real Property are operable and in good condition (ordinary wear and tear excepted), except as would not be reasonably likely to have a Harveys Material Adverse Effect.

(i) There are no material commitments to or agreements with any governmental authority or agency (federal, state or local) affecting the use or ownership of the Harveys Real Property which are not listed in Section 3.8(i) of the Harveys Disclosure Schedule or described in the Harveys SEC Reports.

(j) There are no contracts or other obligations outstanding for the sale, exchange, material encumbrance, lease or transfer of any of the Harveys Real Property, or any portion of it, or the businesses operated by Harveys or any of its Subsidiaries thereon, except as disclosed in Section 3.8(j) of the Harveys Disclosure Schedule and other than contracts and obligations entered into after the date of this Agreement in compliance with Section 6.1.

Section 3.9 Title to Personal Property; Liens. To the best knowledge of Harveys, Harveys and each of its Subsidiaries has sufficiently good and valid title to, or an adequate leasehold interest in, its material tangible personal properties and assets (including all riverboats operated by Harveys and its Subsidiaries) in order to allow it to conduct, and continue to conduct, its business as and where currently conducted. Such material tangible personal assets and properties are sufficiently free of liens to allow each of Harveys and its Subsidiaries to conduct, and continue to conduct, its business as and where currently conducted and, to the best knowledge of Harveys, the consummation of the transactions contemplated by this Agreement will not alter or impair such ability in any respect which, individually or in the aggregate, would be reasonably likely to have a Harveys Material Adverse Effect. There are no defects in the physical condition or operability of such material tangible personal assets and properties which would impair the use of such assets and properties as and where such assets and properties are currently used, except for such defects which, individually or in the aggregate, would not be reasonably likely to have a Harveys Material Adverse Effect.

Section 3.10 Intellectual Property. Section 3.10 of the Harveys Disclosure Schedule lists all (i) trademark and service mark registrations and applications and web domain urls owned by Harveys or any of its Subsidiaries and (ii) trademark, service mark and trade name license agreements to which Harveys or any of its Subsidiaries is a party. Except as disclosed in Section 3.10 of the Harveys Disclosure Schedule, Harveys and its Subsidiaries own or possess adequate and enforceable rights to use all material trademarks, trademark applications, trade names, service marks, trade secrets (including customer lists and customer databases), copyrights, patents, licenses, know-how and other proprietary intellectual property rights as are necessary in connection with the businesses of Harveys and its Subsidiaries as currently conducted without material restrictions or material conditions on use, and, to the best knowledge of Harveys, there is no conflict with the rights of Harveys and its Subsidiaries therein or any conflict by them with the rights of others therein which, individually or in the aggregate would be reasonably likely to have a Harveys Material Adverse Effect.

Section 3.11 Agreements, Contracts and Commitments.

(a) Except as disclosed in the Harveys SEC Reports filed prior to the date of this Agreement, as disclosed in Section 3.11(a) of the Harveys Disclosure Schedule or as

contemplated by this Agreement, neither Harveys nor any of its Subsidiaries is a party to any oral or written (i) agreement, contract, indenture or other instrument relating to Indebtedness (as defined below) in an amount exceeding $500,000, (ii) partnership, joint venture or limited liability or management agreement with any person (other than as between Harveys and its wholly-owned Subsidiaries), (iii) agreement, contract, or other instrument relating to any merger, consolidation, business combination, share exchange, business acquisition, or for the purchase, acquisition, sale or disposition of any assets of Harveys or any of its Subsidiaries outside the ordinary course of business, (iv) other contract, agreement or commitment to be performed after the date hereof which would be a material contract (as defined in Item 601(b)(10) of Regulation S-K of the SEC), (v) agreement, contract, or other instrument relating to any "strategic alliances" (i.e., cross-marketing, affinity relationships, etc.), (vi) contract, agreement or commitment which materially restricts (geographically or otherwise) the conduct of any line of business by Harveys or any of its Subsidiaries (collectively, the "Harveys Material Contracts"). "Indebtedness" means any liability in respect of (A) borrowed money, (B) capitalized lease obligations, (C) the deferred purchase price of property or services (other than trade payables in the ordinary course of business) and (D) guarantees of any of the foregoing incurred by any other person other than Harveys or any of its Subsidiaries.

(b) Except as disclosed in the Harveys SEC Reports or as disclosed in Section 3.11(b) of the Harveys Disclosure Schedule, (i) each of the Harveys Material Contracts is valid and binding upon Harveys or any of its Subsidiaries, as the case may be (and, to Harveys' best knowledge, on all other parties thereto), in accordance with its terms and is in full force and effect, (ii) there is no material breach or violation of or default by Harveys or any of its Subsidiaries under any of the Harveys Material Contracts, whether or not such breach, violation or default has been waived, and (iii) no event has occurred with respect to Harveys or any of its Subsidiaries which, with notice or lapse of time or both, would constitute a material breach, violation or default of, or give rise to a right of termination, modification, cancellation, foreclosure, imposition of a lien, prepayment or acceleration under, any of the Harveys Material Contracts, which breach, violation, default, termination, modification, cancellation, foreclosure, imposition of a lien, prepayment or acceleration

referred to in clause (ii) or (iii), alone or in the aggregate with other such breaches, violations, defaults, terminations, modifications, cancellations, foreclosures, impositions of a lien, prepayments or accelerations referred to in clause (ii) or (iii), would be reasonably likely to have a Harveys Material Adverse Effect.

(c) Except as disclosed in Section 3.11(c) of the Harveys Disclosure Schedule, Harveys and its Subsidiaries have terminated, and have no continuing liabilities or obligations under, any agreement, contract or arrangement with any person or entity relating to (i) the unconsummated acquisition of Pinnacle Entertainment, Inc. (the "Pinnacle Transaction") or (ii) the proposed resort in Salisbury Beach, Massachusetts.

Section 3.12 Litigation. Except as disclosed in the Harveys SEC Reports filed prior to the date of this Agreement or in Section 3.12 of the Harveys Disclosure Schedule, (a) there is no action, suit or proceeding, claim, arbitration or investigation against Harveys, or any of its Subsidiaries pending, or as to which Harveys, or any of its Subsidiaries has received any written notice of assertion or, to the best knowledge of Harveys, threatened against, Harveys or any of its Subsidiaries or any property or asset of Harveys or any of its Subsidiaries, before any court,

arbitrator, or administrative, governmental or regulatory authority or body, domestic or foreign, that, individually or in the aggregate, would be reasonably likely to (i) have a Harveys Material Adverse Effect or (ii) prevent the consummation of the transactions contemplated by this Agreement; and (b) there is no judgment, order, injunction or decree of any Governmental Entity outstanding against Harveys or any of its Subsidiaries that would be reasonably likely to have any effect referred to in clauses (i) or (ii) above. Harveys has received no notice of any pending or current SEC investigation of Harveys related to the Pinnacle Transaction.

Section 3.13 Environmental Matters.

Except as disclosed in Section 3.13 of the Harveys Disclosure Schedule or as would not be reasonably likely to have a Harveys Material Adverse Effect, (a) Harveys is in compliance with all applicable Environmental Laws and to Harveys' knowledge holds all permits, registrations and licenses necessary under Environmental Laws, (b) to Harveys' knowledge there are no Environmental Liabilities and Costs of Harveys and its Subsidiaries, (c) to Harveys' knowledge there are no Environmental Conditions, (d) none of Harveys and its Subsidiaries has received any notices from any governmental agency or other third party alleging liability under or violation of any Environmental Law, or alleging responsibility for the removal, clean-up, or remediation of any Environmental Condition, (e) Harveys is not subject to any enforcement or investigatory action by any governmental agency regarding an Environmental Condition with respect to any Harveys Real Property or any other property related in any way to Harveys or its Subsidiaries (f) to Harveys' knowledge no asbestos containing materials or polychlorinated biphenyls (i.e., PCBs) are contained in or stored on any of the Harveys Real Properties, and (g) to Harveys' knowledge there have been no leaks, releases, spills or discharge of fluids from any underground or above-ground storage tanks located on any of the Harveys Real Properties. As used herein, the terms "toxic" or "hazardous" wastes, substances or materials shall include, without limitation, all those so designated and all those in any way regulated by any Environmental Laws. The representations and warranties in this Section 3.13 and in Sections 3.8(d) and 3.8(f), constitute the sole and exclusive representations and warranties made by Harveys concerning Environmental Laws.

For purposes of this Section 3.13, the following definitions shall apply:

"ENVIRONMENTAL LAWS" means all applicable and legally enforceable foreign, federal, state and local statutes or laws, common law, judgments, orders, regulations, licenses, permits, rules and ordinances relating to pollution or protection of health, safety or the environment, including, but not limited to the Federal Water Pollution Control Act (33 U.S.C.ss.1251 ET SEQ.), Resource Conservation and Recovery Act (42 U.S.C.ss.6901 ET SEQ.), Safe Drinking Water Act (42 U.S.C.ss.3000(f) ET SEQ.), Toxic Substances Control Act (15 U.S.C.ss.2601 ET SEQ.), Clean Air Act (42 U.S.C.ss.7401 ET SEQ.), Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C.ss.9601 ET SEQ.) and other similar state and local statutes, in effect as of the date hereof.

"ENVIRONMENTAL CONDITION" means the release into the environment of any pollution, including without limitation any contaminant, pollutant, hazardous or toxic waste, substance or material as a result of which Harveys (1) has or may become liable to any person, (2) is or was in violation of any Environmental Law, (3) has or may be required to incur response costs for

investigation or remediation, or (4) by reason of which any of the Properties or other assets of Harveys, may be subject to any lien under Environmental Laws.

"ENVIRONMENTAL LIABILITIES AND COSTS" means all liabilities, obligations, responsibilities, obligations to conduct cleanup, losses, damages, deficiencies, punitive damages, consequential damages, treble damages, costs and expenses (including, without limitation, all reasonable fees, disbursements and expenses of counsel, expert and consulting fees and costs of investigations and feasibility studies and responding to government requests for information or documents), fines, penalties, restitution and monetary sanctions, interest, direct or indirect, known or unknown, absolute or contingent, past, present or future, resulting from any claim or demand, by any person or entity, under any Environmental Law, or arising from Environmental Conditions.

Section 3.14 Employee Benefit Plans.

(a) DEFINITIONS. The following terms, when used in this Section 3.14 shall have the following meanings. Any of these terms may, unless the context otherwise requires, be used in the singular or the plural depending on the reference.

(i) BENEFIT ARRANGEMENT. "Benefit Arrangement" shall mean any employment, consulting, severance or other similar contract, arrangement or policy and each plan, program or agreement providing for workers' compensation, disability benefits, supplemental unemployment benefits, vacation benefits, retirement benefits, life insurance, health, accident benefits (including without limitation any "voluntary employees' beneficiary association" as defined in Section 501(c)(9) of the Code providing for the same or other benefits), deferred compensation, profit-sharing bonuses, stock options, stock appreciation rights, stock purchases or other forms of incentive compensation which (1) is not a Welfare Plan, Pension Plan, Foreign Plan or Multiemployer Plan under which Harveys or ERISA Affiliate may incur any liability, and (2) covers any employee or former employee of Harveys or any ERISA Affiliate (with respect to their relationship with such entities).

(ii) CODE. "Code" shall have the meaning set forth in Section 3.7(g).

(iii) EMPLOYEE PLANS. "Employee Plans" shall mean all Benefit Arrangements, Multiemployer Plans, Foreign Plans, Pension Plans and Welfare Plans.

(iv) ERISA. "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

(v) ERISA AFFILIATE. "ERISA Affiliate" shall mean any entity which is (or at any relevant time was) a member of a "controlled group of corporations" with, under "common control" with, or a member of an "affiliated service group" with, Harveys as defined in Section 414(b), (c), (m) or (o) of the Code or any partnership of which Harveys or any of its Subsidiaries is a general partner.

(vi) FOREIGN PLAN. "Foreign Plan" shall mean any employee benefit plan covering employees or former employees of any Subsidiary of Harveys or any ERISA Affiliate which is organized under the laws of any country other than the U.S. (with respect to such

employees' relationship with such entities) which if maintained or administered in or otherwise subject to the laws of the United States would constitute a Pension Plan, a Multiemployer Plan or Welfare Plan.

(vii) MULTIEMPLOYER PLAN. "Multiemployer Plan" shall mean any "multiemployer plan," as defined in Section 4001(a)(3) of ERISA, under which Harveys or any ERISA Affiliate may incur any liability.

(viii) PENSION PLAN. "Pension Plan" shall mean any "employee pension benefit plan" as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) under which Harveys or any ERISA Affiliate may incur any liability.

(ix) WELFARE PLAN. "Welfare Plan" shall mean any "employee welfare benefit plan" as defined in Section 3(1) of ERISA, under which Harveys or any ERISA Affiliate may incur any material liability.

(b) DISCLOSURE; DELIVERY OF COPIES OF RELEVANT DOCUMENTS AND OTHER INFORMATION. Section 3.14(b) of the Harveys Disclosure Schedule contains a complete list of the Employee Plans. True and complete copies of each of the following documents (if applicable) have been made available by Harveys to Harrah's: (i) each Employee Plan (other than any Multiemployer Plan) and, if applicable, related trust agreements, and all amendments, (ii) the most recent determination letter issued by the IRS or analogous ruling under foreign law with respect to each Employee Plan, (iii) for the three most recent plan years, Annual Reports on Form 5500 Series required to be filed with any governmental agency for each Pension Plan and Welfare Plan, and (iv) all actuarial reports prepared for the last three plan years for each Pension Plan.

(c) REPRESENTATIONS.

(i) Employee Plans

(A) No Pension Plan is subject to Title IV of ERISA or the minimum funding requirements of Section 412 of the Code. Each Pension Plan and each related trust that is intended to qualify under the provisions of Code Section 401(a) and 501(a) has so qualified during the period from its adoption to date.

(B) Each Employee Plan has been maintained in material compliance with its terms and, both as to form and in operation, with the requirements prescribed by any and all applicable laws, including without limitation ERISA and the Code to the extent applicable.

(C) (i) The methodologies used by Harveys to determine participants' benefits and Harveys' liabilities under Harveys' Supplemental Executive Retirement Plan, Senior Supplemental Executive Retirement Plan and Section 7 of the Change of Control Plan, as such methodologies have been disclosed to Harrah's, are a reasonable application of the terms of such plans, (ii) Harveys' calculation of the participants' benefits and Harveys' liabilities

thereunder as disclosed to Harrah's are accurate and consistent with such methodologies and (iii) Harveys has consistently applied such methodologies in the past. The seven participants in Harveys' Change of Control Plan listed in that certain Resolution 2001-9 of the Board of Directors of Harveys Casino Resorts Reaffirming Participants in Harveys Casino Resorts Change of Control Plan, attached hereto as Exhibit 3.14(c) are the only participants under Harveys' Change of Control Plan.

(ii) Multiemployer Plans

(A) Neither Harveys nor any ERISA Affiliate has, at any time, withdrawn from a Multiemployer Plan in a "complete withdrawal" or a "partial withdrawal" as defined in Sections 4203 and 4205 of ERISA, respectively, so as to result in a liability, contingent or otherwise (including without limitation the obligations pursuant to an agreement entered into in accordance with Section 4204 of ERISA), of Harveys or any ERISA Affiliate which has not been fully satisfied. Neither Harveys nor any ERISA Affiliate has engaged in, or is a successor or parent corporation to an entity that has engaged in, a transaction described in Section 4212(c) of ERISA. If, as of the Closing Date, Harveys (and all ERISA Affiliates) were to withdraw from all Multiemployer Plans to which it (or any of them) has contributed or been obligated to contribute, it (and they) would incur no material liabilities to such plans under Title IV of ERISA.

(B) To the best of Harveys' knowledge, with respect to each Multiemployer Plan: (1) no such Multiemployer Plan has been terminated or is in reorganization under ERISA so as to result, directly or indirectly, in any liability, contingent or otherwise, of Harveys or any ERISA Affiliate under Title IV of ERISA; and (2) no proceeding has been initiated by any person (including the Pension Benefit Guaranty Corporation) to terminate any Multiemployer Plan.

(iii) WELFARE PLANS. None of Harveys, any ERISA Affiliate or any Welfare Plan has any present or future obligation to make any payment to, or with respect to any present or former employee of Harveys or any ERISA Affiliate pursuant to, any retiree medical benefit plan, or other retiree Welfare Plan, except to the extent required by the Code or ERISA. Harveys and its ERISA

Affiliates have performed all of their obligations with respect to all self-funded and self-administered Welfare Plans and have made appropriate entries in their financial statements for all obligations and liabilities under such Welfare Plans that have accrued but are not yet due, including without limitation, reserves for incurred but unreported claims. All required contributions to, and payments from each Welfare Plan have been made on a timely basis. No event has occurred and no circumstances exist that could result in a material increase in premium costs of any Welfare Plans that are insured or in a material increase in benefit costs of any Welfare Plans that are self-insured.

(iv) DEDUCTIBILITY OF PAYMENTS. There is no contract, agreement, plan or arrangement covering any employee or former employee of Harveys (with respect to its relationship with such entities) that, individually or collectively, provides for the payment by

Harveys of any amount (i) that is not deductible under Section 162 or 404 of the Code or (ii) that is an "excess parachute payment" pursuant to Section 280G of the Code.

(v) LITIGATION. There is no material action, order, writ, injunction, judgment or decree outstanding or claim, suit, litigation, proceeding, arbitral action, governmental audit or investigation, relating to or seeking benefits under any Employee Plan that or to the best knowledge of Harveys, is pending against Harveys, any ERISA Affiliate or any Employee Plan (other than routine claims for benefits).

(vi) NO ACCELERATION OR CREATION OF RIGHTS. Except as provided in Section 2.1 or disclosed in Section 3.14 of the Harveys Disclosure Schedule neither the execution and delivery of this Agreement by Harveys nor the consummation of the transactions contemplated hereby will result in the acceleration or creation of any rights of any current or former employee of Harveys or any of its Subsidiaries to benefits under any Employee Plan (including, without limitation, the acceleration of the vesting or exercisability of any stock options, the acceleration of the vesting of any restricted stock, the acceleration of the accrual or vesting of any benefits under any Pension Plan or the acceleration or creation of any rights under any severance, parachute or change in control agreement).

Section 3.15 Compliance with Gaming Laws.

(a) Each of Harveys and its Subsidiaries, and each of their respective directors (but with respect to non-employee directors, only to Harveys' best knowledge), officers, persons performing management functions similar to officers and, to Harveys' best knowledge, partners hold all permits, registrations, findings of suitability, licenses, variances, exemptions, certificates of occupancy, orders and approvals of all Governmental Entities (including all authorizations under Harveys Gaming Laws, the Merchant Marine Act of 1920 and the Shipping Act of 1916 and Certificates of Inspection issued by the U.S. Coast Guard), necessary to conduct the business and operations of Harveys and each of its Subsidiaries, each of which is in full force and effect in all material respects, except for such permits, registrations, findings of suitability, licenses, variances, exemptions, certificates of occupancy, orders and approvals the failure of which to hold would not, individually or in the aggregate, be reasonably likely to have a Harveys Material Adverse Effect (the "Harveys Permits") and no event has occurred which permits, or upon the giving of notice or passage of time or both would permit, revocation, non-renewal, modification, suspension, limitation or termination of any Harveys Permit that currently is in effect the loss of which either individually or in the aggregate would be reasonably likely to have a Harveys Material Adverse Effect. Each of Harveys and its Subsidiaries, and each of their respective directors (but with respect to non-employee directors, only to Harveys' best knowledge), officers, persons performing management functions similar to officers and, to Harveys' best knowledge, partners, are in compliance with the terms of the Harveys Permits, except for such failures to comply, which singly or in the aggregate, would not, individually or in the aggregate, be reasonably likely to have a Harveys Material Adverse Effect. Except as disclosed in the Harveys SEC Reports filed prior to the date of this Agreement, the businesses of Harveys and its Subsidiaries are not being conducted in violation of any law, ordinance or regulation of any Governmental Entity (including, without limitation, any Harveys Gaming Laws), except for possible violations which individually or in the aggregate do not and would not be reasonably likely to have a Harveys Material Adverse Effect. Harveys has received no notice of any

investigation or review by any Governmental Entity with respect to Harveys or any of its Subsidiaries that is pending, and, to the best knowledge of Harveys, no investigation or review is threatened, nor has any Governmental Entity indicated any intention to conduct the same, other than those the outcome of which would not, individually or in the aggregate, be reasonably likely to have a Harveys Material Adverse Effect.

(b) The term "Harveys Gaming Laws" means any Federal, state, local or foreign statute, ordinance, rule, regulation, permit, consent, registration, finding of suitability, approval, license, judgment, order, decree, injunction or other authorization, including any condition or limitation placed thereon, governing or relating to the current or contemplated casino and gaming activities and operations and manufacturing and distributing operations of Harveys or any of its Subsidiaries, including, without limitation, the Nevada Gaming Control Act and the rules and regulations promulgated thereunder, the Douglas County, Nevada Code and the rules and regulations promulgated thereunder, the Iowa Parimutuel Wagering Act, Chapter 99D of the Code of Iowa, the Riverboat Gambling Act, Chapter 99F of the Code of Iowa and the rules and regulations of the Iowa Racing and Gaming Commission promulgated under Chapters 99D and 99F, the Colorado Division of Gaming and the rules and regulations promulgated thereunder and any applicable state gaming law and any federal or state laws relating to currency transactions.

(c) Except as disclosed in Section 3.15(c) of the Harveys Disclosure Schedule, neither Harveys nor any of its Subsidiaries, nor any of their respective directors (but with respect to non-employee directors, only to Harveys' best knowledge), officer, key employee or persons performing management functions similar to officers or, to Harveys' best knowledge, partners of Harveys or any of its Subsidiaries has received any written claim, demand, notice, complaint, court order or administrative order from any Governmental Entity in the past three years under, or relating to any violation or possible violation of any Harveys Gaming Laws which did or would be reasonably likely to result in fines or penalties of $50,000 or more. To Harveys' best knowledge, there are no facts, which if known to the regulators under the Harveys Gaming Laws would be reasonably likely to result in the revocation, limitation or suspension of a license, finding of suitability, registration, permit or approval of it or them, or of any officer, director, other person performing management functions similar to an officer or partner, under any Harveys Gaming Laws. Neither Harveys nor any of its Subsidiaries has suffered a suspension or revocation of any Harveys Permit held under the Harveys Gaming Laws.

Section 3.16 Information Statement. Neither the Information Statement to be sent to the stockholders of Harveys in connection with the action taken by written consent of Harveys' stockholders with respect to approval of "excess parachute payments" pursuant to Section 280G of the Code (the "Information Statement"), nor any amendment thereof or supplement thereto, will, as of the date thereof, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Information Statement will comply as to form in all material respects with the applicable provisions of the Exchange Act and the rules and regulations thereunder in effect as of the filing date thereof; provided, however, that Harveys makes no representation with respect to any information supplied or to be supplied by Harrah's for inclusion in the Information Statement or any amendment thereof or supplement thereto.

Section 3.17 Labor Matters. Except as disclosed in Section 3.17 of the Harveys Disclosure Schedule or as would not be reasonably likely to have a Harveys Material Adverse Effect, (i) to the best knowledge of Harveys, there are no activities or proceedings of any labor union to organize any non-unionized employees; (ii) neither Harveys nor any of its Subsidiaries has breached or otherwise failed to comply with any provision of any collective bargaining agreement or contract and there are no grievances outstanding against Harveys or any of its Subsidiaries under any such agreement or contract; (iii) there are no unfair labor practice complaints pending against Harveys or any of its Subsidiaries before the National Labor Relations Board, or any similar foreign labor relations governmental bodies, or any current union representation questions involving employees of Harveys or any of its Subsidiaries; and (iv) there is no strike, slowdown, work stoppage or lockout, or, to the best knowledge of Harveys, threat thereof, by or with respect to any employees of Harveys or any of its Subsidiaries. Harveys and its Subsidiaries are not parties to any collective bargaining agreements.

Section 3.18 Insurance. Harveys has provided to Harrah's accurate and complete copies of all material fire and casualty, general liability, business interruption, product liability, and sprinkler and water damage insurance policies maintained by Harveys or any of its Subsidiaries. All such insurance

policies are with reputable insurance carriers and provide coverage as is reasonably prudent to cover normal risks incident to the business of Harveys and its Subsidiaries and their respective properties and assets.

Section 3.19 Nevada Takeover Statute. As of the date hereof and at all times on or prior to the Closing, the provisions of Sections 78.378 through 78.3793 of the Nevada Revised Statutes (the "NRS") are, and shall be, inapplicable to the transactions contemplated by this Agreement.

Section 3.20 Brokers. None of Harveys, any of its Subsidiaries, or, to the best knowledge of Harveys, any of their respective officers, directors or employees have employed any broker, financial advisor or finder or incurred any liability for any brokerage fees, commissions or finder's fees in connection with the transactions contemplated by this Agreement, except that Harveys has retained Bear, Stearns & Co. Inc. and Merrill Lynch & Co., Inc. as its financial advisors, the arrangements with which have been disclosed to Harrah's prior to, and will not be modified in a manner adverse to Harrah's subsequent to, the date of this Agreement.

Section 3.21 Transactions With Affiliates. Other than the transactions contemplated by this Agreement and except to the extent disclosed in the Harveys SEC Reports or as disclosed in Section 3.21 of the Harveys Disclosure Schedule, from February 2, 1999 through the date of this Agreement, there have been no transactions, agreements, arrangements or understandings between Harveys or any of its Subsidiaries, on the one hand, and Harveys' affiliates or other persons, on the other hand, that would be required to be disclosed under Item 404 of Regulation S-K under the Securities Act.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES OF SELLERS.

Each Seller represents and warrants to Harrah's, severally and not jointly, as to itself that the statements contained in this Article IV are true and correct except as set forth herein and in the disclosure schedule delivered by Sellers' Representative to Harrah's on or before the date of this Agreement (the "Seller Disclosure Schedule"). The Seller Disclosure Schedule shall be arranged in paragraphs corresponding to the numbered and lettered paragraphs contained in this Article IV and the disclosure in any paragraph shall qualify other paragraphs in this Article IV.

Section 4.1 Organization of Certain Sellers. If such Seller is a corporation, limited liability company or limited partnership, it is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization.

Section 4.2 Authority. Such Seller has the requisite power and authority to enter into this Agreement (or any Joinder hereto) and to consummate the transactions to which it is a party that are contemplated by this Agreement and to perform his or its obligations hereunder. This Agreement (or any Joinder hereto) has been duly executed and delivered by such Seller and, assuming this Agreement (or any Joinder hereto) constitutes the valid and binding obligation of the other parties hereto, constitutes the valid and binding obligation of such Seller, enforceable against such Seller in accordance with its terms, subject, as to enforcement, to (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereinafter in effect affecting creditors' rights generally and (ii) general principles of equity.

Section 4.3 No Conflict; Required Filings and Consents

(a) Neither the execution and delivery of this Agreement by such Seller, nor the consummation by such Seller of the transactions to which it is a party that are contemplated by this Agreement will, (i) if such Seller is a corporation, limited liability company or limited partnership, conflict with, or result in any violation or breach of, any provision of the certificate of incorporation, limited liability or operating agreement or partnership agreement of such Seller, (ii) result in any violation or breach of, or constitute a default (or give rise to a right of termination, cancellation or acceleration of any obligation or loss of any material benefit) under, or require a consent or waiver under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, contract or other agreement, instrument or obligation to which such Seller is a party or by which such Seller or any of its properties or assets may be bound, or (iii) subject to the governmental filings and other matters referred to in Section 4.3(b) conflict with or violate any permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to such Seller or any of its properties or assets, except in the case of clauses (ii) and (iii) for any such breaches, conflicts, violations, defaults, terminations, cancellations, accelerations,

losses or failures to obtain any such consent or waiver which would not materially impair or materially delay the Closing.

(b) No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by or with respect to such Seller in connection with the execution and delivery of this Agreement or the consummation by such Seller of the transactions to which it is a party that are contemplated hereby, except for (i) filings under the

Exchange Act, the HSR Act or the Harveys Gaming Laws or (ii) such consents, approvals, orders, authorizations, registrations, declarations, or filings required by or with respect to Harrah's or Harveys or any of its Subsidiaries (including, without limitation, under the HSR Act, the Harveys Gaming Laws and the Harrah's Gaming Laws).

Section 4.4 Brokers. Such Seller has not employed any broker, financial advisor or finder or incurred any liability for any brokerage fees, commissions or finder's fees in connection with the transactions contemplated by this Agreement, except that Harveys has retained Bear, Stearns & Co. Inc. and Merrill Lynch & Co., Inc. as its financial advisors.

Section 4.5 Harveys Shares. Such Seller holds of record and owns beneficially the number of Harveys Shares set forth next to such Seller's name in Section 3.2(c) of the Harveys Disclosure Schedule, free and clear of all security interests, liens, claims, pledges, agreements, limitations on such Seller's voting rights, charges or other encumbrances or restrictions on transfer of any nature, other than those imposed by the Securities Act, state securities laws or applicable gaming laws. Sellers are not parties to any option, warrant, purchase right, or other contract or commitment (other than this Agreement) obligating such Seller to sell, transfer, or otherwise dispose of any capital stock of Harveys. Such Seller is not a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of any capital stock of Harveys.

Section 4.6 All Harveys Capital Stock. Upon the Closing, Harrah's shall own all of such Seller's shares of capital stock of Harveys.

ARTICLE V.
REPRESENTATIONS AND WARRANTIES OF HARRAH'S

Harrah's represents and warrants to Harveys that the statements contained in this Article V are true and correct except as set forth herein and in the disclosure schedule delivered by Harrah's to Harveys on or before the date of this Agreement (the "Harrah's Disclosure Schedule"). The Harrah's Disclosure Schedule shall be arranged in paragraphs corresponding to the numbered and lettered paragraphs contained in this Article V and the disclosure in any paragraph shall qualify other paragraphs in this Article V only to the extent that it is reasonable from a reading of such disclosure that it also qualifies or applies to such other paragraphs.

Section 5.1 Organization. Each of Harrah's and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite corporate, partnership and limited liability company power and authority to carry on its business as now being conducted and as proposed to be conducted prior to the Closing. Each of Harrah's and its Subsidiaries is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so qualified, licensed or in good standing would not have a material adverse effect on the business, properties, condition (financial or otherwise), results of operations or prospects of Harrah's and its Subsidiaries, taken as a whole (a "Harrah's Material Adverse Effect"). Harrah's has delivered to Harveys a true and correct copy of the Certificate of Incorporation and Bylaws of Harrah's, as amended to the date of this Agreement.

Section 5.2 Authority; No Conflict; Required Filings and Consents.

(a) Harrah's has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement and the consummation by Harrah's of the transactions to which it is a party that are contemplated by this Agreement by Harrah's have been duly authorized by all necessary corporate

action on the part of Harrah's. This Agreement has been duly executed and delivered by Harrah's and constitutes the valid and binding obligation of Harrah's, enforceable against Harrah's in accordance with its terms, subject, as to enforcement, to (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereinafter in effect affecting creditors' rights generally and (ii) general principles of equity.

(b) Other than as disclosed in Section 5.2(b) of the Harrah's Disclosure Schedule, the execution and delivery of this Agreement by Harrah's does not, and the consummation by Harrah's of the transactions to which it is a party that are contemplated by this Agreement will not, (i) conflict with, or result in any violation or breach of, any provision of the Certificate of Incorporation or Bylaws of Harrah's or the comparable charter or organizational documents of any of its Subsidiaries, (ii) result in any violation or breach of, or constitute (with or without notice or lapse of time, or both) a default (or give rise to a right of termination, cancellation or acceleration of any obligation or loss of any material benefit) under, or require a consent or waiver under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, contract or other agreement, instrument or obligation to which Harrah's or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound, or (iii) subject to the governmental filings and other matters referred to in Section 5.2(c), conflict with or violate any permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Harrah's or any of its Subsidiaries or any of its or their properties or assets, except in the case of clauses (ii) and (iii) for any such conflicts, violations, defaults, terminations, cancellations or accelerations which (x) are not, individually or in the aggregate, reasonably likely to have a Harrah's Material Adverse Effect or (y) would not impair or delay the Closing.

(c) No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by or with respect to Harrah's or any of its Subsidiaries in connection with the execution and delivery of this Agreement by Harrah's or the consummation by Harrah's or such Subsidiaries of the transactions to which it is or they are a party that are contemplated hereby or thereby, except for (i) the filing of the pre-merger notification report under the HSR Act, (ii) any approvals and filing of notices required under the Harrah's Gaming Laws (as defined in Section 5.6(b)) or the Harveys Gaming Laws, (iii) such consents, approvals, orders, authorizations, permits, filings, or registrations related to, or arising out of, compliance with statutes, rules or regulations regulating the consumption, sale or serving of alcoholic beverages, (iv) such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable state securities laws, (v) such filings and consents as may be required under any environmental health or safety law or regulation pertaining to any notification, disclosure or required approval triggered by the Closing or the transactions contemplated by this Agreement, the failure of which to make or obtain, respectively, would not be reasonably likely to result in a Harrah's Material Averse Effect, and

(vi) such other filings, consents, approvals, orders, registrations and declarations as may be required under the laws of any jurisdiction in which the Company or any of its Subsidiaries conducts any business or owns any assets the failure of which to make or obtain would not be reasonably likely to have a Harrah's Material Adverse Effect.

Section 5.3 Intentionally Omitted.

Section 5.4 Brokers. None of Harrah's, any of its Subsidiaries, or any of their respective officers, directors or employees have employed any broker, financial advisor or finder or incurred any liability for any brokerage fees, commissions or finder's fees in connection with the transactions contemplated by this Agreement, except that Harrah's has retained Deutsche Banc Alex. Brown Inc. and CIBC World Markets as financial advisors, the arrangements with which have been disclosed in writing to Harveys prior to the date hereof.

Section 5.5 Financing. Harrah's will have available on the Closing Date sufficient funds to enable Harrah's to (i) pay the Total Transaction Consideration (exclusive of the deduction set forth in clauses (xii) and (xvii) of Section 1.3(b)), (ii) purchase any of Harveys' outstanding 105/8 % Senior Subordinated Notes due 2006 required to be purchased pursuant to the change of control provisions contained in the instruments governing such indebtedness, (iii) repay all outstanding amounts under the Second Amended and Restated Credit Agreement, dated as of October 5, 1999, as amended, among Harveys and certain of its Subsidiaries, as Borrowers, the Lenders herein named, Wells Fargo Bank, National Association, as Swingline Lender, L/C Issuer and Agent Bank, Credit Lyonnais Los Angeles Branch, as Syndication Co-Agent, Deutsche Bank Securities,

as Documentation Agent, Societe Generale and Bank One, N. A. as Co-Managing Agents and (iv) replace, assume or substitute in full the Iowa West Letter of Credit.

Section 5.6 Compliance with Gaming Laws.

(a) Each of Harrah's and its Subsidiaries, and each of their respective directors (but with respect to non-employee directors, only to Harrah's' best knowledge), officers, persons performing management functions similar to officers and, to Harrah's' best knowledge, partners, hold all permits, registrations, findings of suitability, licenses, variances, exemptions, certificates of occupancy, orders and approvals of all Governmental Entities under the Harrah's Gaming Laws necessary to conduct the business and operations of Harrah's and each of its Subsidiaries, each of which is in full force and effect in all material respects, except for such permits, registrations, findings of suitability, licenses, variances, exemptions, certificates of occupancy, orders and approvals the failure of which to hold would not, individually or in the aggregate, be reasonably likely to have a Harrah's Material Adverse Effect (the "Harrah's Permits") and no event has occurred which permits, or upon the giving of notice or passage of time or both would permit, revocation, non-renewal, modification, suspension, limitation or termination of any Harrah's Permit that currently is in effect the loss of which either individually or in the aggregate would be reasonably likely to have a Harrah's Material Adverse Effect. Each of Harrah's and its Subsidiaries, and each of their respective directors (but with respect to non-employee directors, only to Harrah's' best knowledge), officers, persons performing management functions similar to officers and, to Harrah's' best knowledge, partners, are in compliance with the terms of the Harrah's Permits, except for such failures to comply, which singly or in the aggregate, would not,

individually or in the aggregate, be reasonably likely to have a Harrah's Material Adverse Effect. Except as disclosed in the forms, reports, and documents required to be filed by Harrah's with the SEC filed prior to the date of this Agreement, the businesses of Harrah's and its Subsidiaries are not being conducted in violation of any Harrah's Gaming Law, except for possible violations which individually or in the aggregate do not and would not be reasonably likely to have a Harrah's Material Adverse Effect. Harrah's has received no notice of any investigation or review by any Governmental Entity under any Harrah's Gaming Law with respect to Harrah's or any of its Subsidiaries that is pending, and, to the best knowledge of Harrah's, no investigation or review is threatened, nor has any Governmental Entity indicated any intention to conduct the same, other than those the outcome of which would not, individually or in the aggregate, be reasonably likely to have a Harrah's Material Adverse Effect.

(b) The term "Harrah's Gaming Laws" means any Federal, state, local or foreign statute, ordinance, rule, regulation, permit, consent, registration, finding of suitability, approval, license, judgment, order, decree, injunction or other authorization, including any condition or limitation placed thereon, governing or relating to the current or contemplated casino and gaming activities and operations of Harrah's or any of its Subsidiaries, including, without limitation, the Nevada Gaming Control Act and the rules and regulations promulgated thereunder, the Clark County, Nevada Code and the rules and regulations promulgated thereunder, the Douglas County, Nevada Code and the rules and regulations promulgated thereunder, the Louisiana Economic Development and Gaming Act and the rules and regulations promulgated thereunder, the Louisiana Riverboat Economic Gaming Control Act and the rules and regulations promulgated thereunder, the New Jersey Casino Control Act and the rules and regulations promulgated thereunder, and the rules and regulations promulgated thereunder, the Illinois Riverboat Gambling Act and the rules and regulations promulgated thereunder, the Mississippi Gaming Control Act and the rules and regulations promulgated thereunder, the Missouri Riverboat Gambling Act and the rules and regulations promulgated thereunder, the Indian Gaming Regulatory Act of 1988 and the rules and regulations promulgated thereunder, any state-tribal gaming compact and any applicable state gaming law and any federal or state laws relating to currency transactions.

(c) Except as disclosed in Section 5.6(c) of the Harrah's Disclosure Schedule, neither Harrah's nor any of its Subsidiaries, nor any director (but with respect to non-employee directors, only to Harrah's' best knowledge), officer, key employee or, to Harrah's' best knowledge, partners of Harrah's or any of its Subsidiaries has received any written claim, demand, notice, complaint, court order or administrative order from any Governmental Entity in the past three years under, or relating to any violation or possible violation of any Harrah's Gaming Laws which did or would be reasonably likely to result in fines or penalties of $50,000 or more. To Harrah's' best knowledge, there are no facts, which if known to the regulators under the Harrah's Gaming Laws could

reasonably be expected to result in the revocation, limitation or suspension of a license, finding of suitability, registration, permit or approval of it or them, or of any officer, director, person performing management functions similar to an officer or partner, under any Harrah's Gaming Laws. Neither Harrah's nor any of its Subsidiaries has suffered a suspension or revocation of any Harrah's Permit held under the Harrah's Gaming Laws.

ARTICLE VI.
COVENANTS

Section 6.1 Conduct of Business of Harveys. During the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement or the Closing, subject to the limitations set forth below, Harveys agrees as to itself and each of its Subsidiaries (except to the extent that Harrah's shall otherwise consent in writing) to carry on its business in the usual, regular and ordinary course in substantially the same manner as previously conducted, to pay its debts and Taxes when due subject to good faith disputes over such debts or Taxes, to pay or perform its other obligations when due, and, to the extent consistent with such business, use all reasonable efforts consistent with past practices and policies to preserve intact its present business organization, keep available the services of its present officers and key employees and preserve its relationships with customers, suppliers, distributors, and others having business dealings with it. Harveys has delivered concurrently herewith its operating budget (the "Budget"). Harveys shall make in all material respects the capital expenditures reflected in the Budget. Without limiting the generality of the foregoing and except as expressly contemplated by this Agreement, and except as disclosed on Section 6.1 of the Harveys Disclosure Schedule, during the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement or the Closing, without the written consent of Harrah's, Harveys shall not and shall not permit any of its Subsidiaries to:

(i) adopt any amendment to its Articles of Incorporation or Bylaws or comparable charter or organizational documents;

(ii) (A) issue, pledge or sell, or authorize the issuance, pledge or sale of additional shares of capital stock of any class (other than upon exercise of Options outstanding on the date of this Agreement), or securities convertible into capital stock of any class, or any rights, warrants or options to acquire any convertible securities or capital stock, or any other securities in respect of, in lieu of, or in substitution for, shares of Harveys Common Stock outstanding on the date hereof or (B) amend, waive or otherwise modify any of the terms of any employee option, warrant or stock option plan of Harveys or any of its Subsidiaries, including without limitation, the Options or the Harveys Stock Option Plan, except that Harveys may make such amendments, waivers and modifications that (i) will not impair in any respect Harrah's' ability to consummate the transactions contemplated hereby and (ii) will not result in any cost, liability or obligation to Harrah's or any of its Subsidiaries either before or after Closing or any cost, liability or obligation to Harveys or its Subsidiaries that adversely affects Harrah's or its Subsidiaries in any respect whatsoever; provided, however, that Harveys shall be permitted to grant options and issue stock or restricted stock to employees of Harveys and its Subsidiaries, so long as such employees accept and agree to the terms of that certain Stockholders Agreement, dated as of February 2, 1999, by and among Harveys, Voteco, Colony III, and stockholders party thereto or, in the case of any employee to be issued stock or restricted stock, such employee executes a Joinder;

(iii) declare, set aside or pay any dividend or other distribution (whether in cash, securities or property or any combination thereof) in respect of any class or series of its capital stock other than between any wholly-owned Subsidiary of Harveys and Harveys or any other wholly-owned Subsidiary of Harveys;

(iv) split, combine, subdivide, reclassify or redeem, purchase or otherwise acquire, or propose to redeem or purchase or otherwise acquire, any shares of its capital stock, or any of its other securities;

(v) except as permitted by paragraph (ii) above, increase the compensation or fringe benefits payable or to become payable to its directors, officers or employees (whether from Harveys or any of its Subsidiaries), or pay any benefit not required by any existing plan or arrangement (including, without limitation, the granting of stock options, stock appreciation rights, shares of

restricted stock or performance units) or grant any severance or termination pay to (except pursuant to existing agreements or policies, which shall be interpreted and implemented in a manner consistent with past practice), or enter into any employment or severance agreement with, any director, officer or employee of Harveys or any of its Subsidiaries or establish, adopt, enter into, or amend any collective bargaining, bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, savings, welfare, deferred compensation, employment, termination, severance or other employee benefit plan, agreement, trust, fund, policy or arrangement for the benefit or welfare of any directors, officers or current or former employees, including any Benefit Arrangement, Pension Plan or Welfare Plan, except (i) to the extent required by applicable law or regulation, (ii) pursuant to any collective bargaining agreements or Employee Plan as in effect on the date of this Agreement consistent with past practices or (iii) for salary and other benefit increases, grants, payments or modifications in the ordinary course of business consistent with past practice to employees other than executive officers of Harveys, (iv) to extend the term of any existing employment agreements to a date not later than the day following the Closing Date on the same terms as such previous employment agreements, or (v) to pay bonuses to employees not otherwise permitted pursuant to this Section 6.1 so long as the Total Transaction Consideration is reduced in an amount equal to the aggregate amount of such bonuses;

(vi) (A) sell, pledge, lease, dispose of, grant, encumber, or otherwise authorize the sale, pledge, disposition, grant or encumbrance of any of the properties or assets of Harveys or any of its Subsidiaries, except for (1) sales of current assets in the ordinary course of business and consistent with past practice in connection with Harveys' hotel, casino and related operations, (2) sales of equipment and other non-current assets in the ordinary course of business and consistent with past practice in connection with Harveys' hotel, casino and related operations in an amount not to exceed $250,000 individually or $1,000,000 in the aggregate or (3) other sales which, individually do not exceed $50,000 or which, in the aggregate, do not exceed $125,000 or (B) acquire (including, without limitation, by merger, consolidation, lease or acquisition of stock or assets) any corporation, partnership, other business organization or any division thereof (or a substantial portion of the assets thereof) or any other assets, except for (1) acquisitions of current assets in the ordinary course of business and consistent with past practice in connection with Harveys' hotel, casino and related operations, (2) acquisitions of equipment and other non-current assets in the ordinary course of business and consistent with past practice in connection with Harveys' hotel, casino and related operations in an amount individually not to exceed $250,000 or (3) other acquisitions which, individually, do not exceed $50,000 or which, in the aggregate, do not exceed $125,000; provided, however, that neither Harveys nor any of its Subsidiaries shall enter into any agreement with a term of greater than one

year which is not terminable within 30 days without cost (other than a de minimis cost) to Harveys or such Subsidiary;

(vii) (A) incur, assume or pre-pay any Indebtedness, except that Harveys and its Subsidiaries may incur or pre-pay debt in the ordinary course of business under existing lines of credit, (B) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person except in the ordinary course of business consistent with past practice, or (C) except as contractually required to do so as of the date of this Agreement, make any loans, advances or capital contributions to, or investments in, any other person (including advances to employees) except in the ordinary course of business consistent with past practice and except for loans, advances, capital contributions or investments between any wholly-owned Subsidiary of Harveys and Harveys or another wholly-owned Subsidiary of Harveys; PROVIDED, however, that neither Harveys nor any of its Subsidiaries shall enter into any agreement with a term of greater than one year which is not terminable within 30 days without cost (other than a de minimis cost) to Harveys or such Subsidiary;

(viii) authorize, recommend, propose or announce an intention to adopt a plan of complete or partial liquidation or dissolution of Harveys or any of its Subsidiaries;

(ix) make or rescind any material express or deemed election relating to Taxes, settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes, or except as may be required by applicable law, make any change to any of its material methods of reporting income or deductions for Federal income tax purposes from those employed in the preparation of its Federal income tax return for the taxable year ending November 30, 1999,

provided, however, that Harrah's shall not unreasonably withhold its consent to any such matter that would preclude Harveys from timely filing its Tax Returns or timely paying its Taxes;

(x) pay, discharge or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted, unasserted, contingent or otherwise), other than the payment, discharge or satisfaction in the ordinary course of business and consistent with past practice of liabilities reflected or reserved against in the consolidated financial statements of Harveys;

(xi) other than in the ordinary course of business and consistent with past practice, waive any rights of substantial value or make any payment, direct or indirect, of any material liability (other than debt subject to paragraph (vii) above) of Harveys or of any of its Subsidiaries before the same comes due in accordance with its terms;

(xii) fail to maintain its existing insurance coverage of all types in effect (however, in the event any such coverage shall be terminated or lapse, to the extent available at reasonable cost, Harveys may procure substantially similar substitute insurance policies which in all material respects are in at least such amounts and against such risks as are currently covered by such policies);

(xiii) enter into any collective bargaining agreement or any successor collective bargaining agreement;

(xiv) make any change with respect to accounting policies or procedures, unless required by GAAP or the SEC, other than reasonable and usual actions in the ordinary course of business and consistent with past practice;

(xv) modify, amend or terminate any of the Harveys Material Contracts or waive, release or assign any material rights or claims, except in the ordinary course of business and consistent with past practice;

(xvi) take, or agree to commit to take, any action that would make any representation or warranty of Harveys contained herein inaccurate in any respect at, or as of any time prior to, the Closing so as to cause the conditions to Harrah's to consummate the transactions contemplated herein not to be satisfied;

(xvii) except for employment arrangements permitted by this Agreement, engage in any transaction with, or enter into any agreement, arrangement, or understanding with, directly or indirectly, any of Harveys' affiliates (other than Harveys' wholly-owned Subsidiaries) which involves the transfer of consideration or has a financial impact on Harveys, other than pursuant to such agreements, arrangements, or understandings existing on the date of this Agreement;

(xviii) close, shut down, or otherwise eliminate any of the casinos owned or operated by Harveys or any of its Subsidiaries, except for such closures, shutdowns or eliminations which are (i) required by action, order, writ, injunction, judgment or decree or otherwise required by law, or (ii) due to acts of God or other force majeure events;

(xix) substantially change the manner in which it administers the Welfare Plans or make any changes that would materially impact the cost of administration of the Welfare Plans; or

(xx) enter into an agreement, contract, commitment or arrangement to do any of the foregoing, or to authorize or announce an intention to do any of the foregoing.

Section 6.2 Cooperation; Notice; Cure. Subject to compliance with applicable law (including, without limitation, antitrust laws and Harveys Gaming Laws), from the date hereof until the Closing, each of Harrah's and Harveys shall confer on a regular and frequent basis with one or more representatives of the other party to report on the general status of ongoing operations. Each of Harrah's and Harveys shall promptly notify the other in writing of, and will use all commercially reasonable efforts to cure before the Closing Date, any event, transaction or circumstance, as soon as practical after it becomes known to such party, that causes or will cause any covenant or agreement of Harrah's or Harveys under this Agreement to be breached in any material respect or that renders or will render untrue in any material respect any representation or warranty of Harrah's or Harveys contained in this Agreement. Nothing contained in Section 6.1 above shall prevent Harveys from giving such notice, using such efforts or taking any action to cure or curing any such event, transaction or circumstance. No notice given pursuant to this paragraph shall have any effect

on the representations, warranties, covenants or agreements contained in this Agreement for purposes of determining satisfaction of any condition contained herein.

Section 6.3 No Solicitation.

(a) Prior to the earlier of the Closing and the termination of this Agreement in accordance with Section 8.1, Harveys shall not, directly or indirectly, through any officer, director, employee, financial advisor, representative or agent of such party (i) solicit, initiate, or encourage any inquiries or proposals that constitute, or could reasonably be expected to lead to, an Acquisition Proposal, (ii) engage in negotiations or discussions with any person (or group of persons) other than Harrah's or its respective affiliates (a "Third Party") concerning, or provide any non-public information to any person or entity relating to, any Acquisition Proposal, or (iii) agree to or recommend any Acquisition Proposal. "Acquisition Proposal" means any proposal or offer from any person relating to any direct or indirect acquisition or purchase of assets (including capital stock) of Harveys or any of its Subsidiaries comprising 25% or more of Harveys' consolidated assets (by book or by fair market value) or of over 25% of any class of equity securities of Harveys or any of its material Subsidiaries or (b) any tender offer or exchange offer that if consummated would result in any person beneficially owning 25% or more of any class of equity securities of Harveys or any of its material Subsidiaries, or (c) any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving Harveys (or any of its material Subsidiaries) and a third party in each case other than the transactions contemplated by this Agreement.

(b) Harveys shall notify Harrah's immediately after receipt by Harveys (or any of their advisors) of any Acquisition Proposal or any request for non-public information in connection with an Acquisition Proposal or for access to the properties, books or records of such party by any person or entity that informs such party that it is considering making, or has made, an Acquisition Proposal. Such notice shall be made orally and in writing and shall indicate the identity of the offeror and the terms and conditions of such proposal, inquiry or contact.

Section 6.4 Employee Matters.

(a) Harveys shall promptly pay or provide when due all compensation and benefits earned prior to the Closing Date as provided pursuant to the terms of any Employee Plans in existence as of the date hereof and as otherwise set forth in Section 3.14(b) of the Harveys Disclosure Schedule for all employees (and former employees) and directors (and former directors) of Harveys. Harrah's and Harveys agree that Harveys shall pay promptly or provide when due all compensation and benefits required to be paid pursuant to the terms of any agreement with any employee, former employee, director or former director in effect as of the Closing.

(b) (i) Harveys shall use its reasonable best efforts prior to the Closing to obtain from each of the Harveys employees that would have amounts payable to them, or subject to accelerated payments or vesting, under all plans and agreements which would constitute "parachute payments" within the meaning of Section 280G of the Code an agreement in writing to limit amounts payable to them to those amounts that would be fully deductible pursuant to Section 280G of the Code unless the stockholders of Harveys approve such amounts pursuant to Section 280G(B)(5)(B) of the Code (the "Waivers");

(ii) Following execution of the Waivers, Harveys shall use its reasonable best efforts to obtain written consent pursuant to Section 280G(b)(5)(B) of the Code to the amounts waived pursuant to the Waivers from stockholders of Harveys owning at least 75% of the outstanding voting stock of Harveys. Such consent shall by its terms become effective on the 20th calendar day following mailing of the Information Statement (or such later time as may be required by the Exchange Act).

Section 6.5 Written Consent and Information Statement. Following the date hereof, Harveys shall use its reasonable efforts to obtain the written consent of at least 75% of the voting power of Harveys approving the compensation arrangements with certain of Harveys' employees, including "excess parachute payments" pursuant to Section 280G of the Code. Harveys shall, as promptly as practicable after the execution of this Agreement, prepare and file with the SEC the Information Statement, and any amendments or supplements thereto, to be

mailed to all holders of Harveys Class A.

Section 6.6 Access to Information.

(a) Upon reasonable notice, subject to applicable law, including without limitation, antitrust laws and Harveys Gaming Laws, Harveys shall (and shall cause its Subsidiaries to) afford to the officers, employees, accountants, counsel and other representatives of Harrah's, reasonable access, during normal business hours during the period from the date hereof to the Closing, to all its personnel, properties, books, contracts, commitments and records and, during such period, Harveys shall, and shall cause its Subsidiaries to, furnish promptly to the other (i) copies of monthly financial reports and development reports, (ii) a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of federal securities laws and (iii) all other information concerning its business, properties and personnel as Harrah's may reasonably request. Harrah's will hold any such information furnished to it by Harveys, which is nonpublic in confidence in accordance with the Confidentiality Agreement dated November 23, 1999, between Harrah's and Colony Capital LLC, as extended by the letter agreement dated February 12, 2001 (the "Confidentiality Agreement"). No information or knowledge obtained in any investigation pursuant to this Section 6.6 shall affect or be deemed to modify any representation or warranty contained in this Agreement or the conditions to the obligations of the parties to consummate the transactions contemplated herein.

(b) For purposes of complying with Section 1.3(d), the Sellers' Representative and its officers, directors, managers, member, partners, employees, financial advisors, legal advisors, accountants, representatives and agents shall have reasonable access, during normal business hours during the period of any dispute of the amount of Total Transaction Consideration in Section 1.3(d) following the Closing, to Harveys' and its Subsidiaries' applicable personnel, properties, books and records and Harveys shall, and shall cause its Subsidiaries to, promptly furnish to the Sellers' Representative and its officers, managers, members, partners, employees, financial advisors, legal advisors, accountants, other representatives and agents all information as may be reasonably required for the purposes specified in Section 1.3(d).

Section 6.7 Governmental Approvals.

(a) The parties hereto shall cooperate with each other and use their reasonable best efforts (and, with respect to the Harveys Gaming Laws, the Harrah's Gaming Laws and antitrust laws, if applicable, shall use their reasonable best efforts to cause their respective directors and officers to do so) to promptly prepare and file all necessary documentation, to effect all applications, notices, petitions and filings, to obtain as promptly as practicable all permits, registrations, licenses, findings of suitability, consents, variances, exemptions, orders, approvals and authorizations of all third parties and Governmental Entities which are necessary or advisable to consummate the transactions contemplated by this Agreement, including, without limitation, all filings required under the HSR Act, the Harveys Gaming Laws and the Harrah's Gaming Laws ("Governmental Approvals"), and to comply (and, with respect to the Harveys Gaming Laws and the Harrah's Gaming Laws, to cause their respective directors and officers to so comply) with the terms and conditions of all such Governmental Approvals. The parties hereto and their respective officers, directors and affiliates shall use their reasonable best efforts to file within 30 days after the date hereof, and in all events shall file within 60 days after the date hereof, all required initial applications and documents in connection with obtaining the Governmental Approvals (including without limitation under applicable Harveys Gaming Laws and Harrah's Gaming Laws) and shall act reasonably and promptly thereafter in responding to additional requests in connection therewith. The parties hereto acknowledge that this Agreement is subject to the review and approval of the Iowa Racing and Gaming Commission. Harveys and Harrah's shall have the right to review in advance, and to the extent practicable each will consult the other on, in each case subject to applicable laws relating to the exchange of information (including, without limitation, antitrust laws and Harveys Gaming Laws), all the information relating to Harveys or the Harrah's, as the case may be, and any of their respective Subsidiaries, directors, officers and stockholders which appear in any filing made with, or written materials submitted to, any third party or any Governmental Entity in connection with the transactions contemplated by this Agreement. Without limiting the foregoing, each of Harveys and Harrah's (the "Notifying Party") will notify the other promptly of the receipt of comments or requests from Governmental Entities relating to Governmental Approvals, and will supply the other with copies of all correspondence between the Notifying Party or any of its representatives and Governmental Entities with respect to Governmental Approvals; provided, however, that it shall not be required to supply the other party with copies of all communication relating to the personal

applications of individual applicants except for evidence of filing.

(b) Harveys and Harrah's shall promptly advise each other upon receiving any communication from any Governmental Entity whose consent or approval is required for consummation of the transactions contemplated by this Agreement which causes such party to reasonably believe that there is a reasonable likelihood that such consent or approval from such Governmental Entity will not be obtained or that the receipt of any such approval will be materially delayed. Harveys and Harrah's each shall use its reasonable best efforts to take, or cause to be taken, all actions reasonably necessary to defend any lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated by this Agreement, seeking to prevent the entry by any Governmental Entity of any decree, injunction or other order challenging this Agreement or the consummation of the transactions

contemplated by this Agreement, appealing as promptly as possible any such decree, injunction or other order and having any such decree, injunction or other order vacated or reversed.

(c) Notwithstanding the foregoing or any other provision of this Agreement, Harrah's shall have no obligation or affirmative duty under this Section 6.7 to dispose of any of its assets or properties, disassociate itself from any person or entity, or agree to do any of the foregoing at any time in the future, in connection with seeking any Governmental Approval.

Section 6.8 Publicity. Harrah's and Harveys shall agree on the form and content of the initial press release regarding the transactions contemplated hereby and thereafter shall consult with each other before issuing, provide each other the opportunity to review and comment upon and use all reasonable efforts to agree upon, any press release or other public statement with respect to any of the transactions contemplated hereby and shall not issue any such press release or make any such public statement prior to such consultation and prior to considering in good faith any such comments, except as may be required by applicable law.

Section 6.9 Indemnification.

(a) From and after the Closing, Harrah's agrees that it will, and will cause Harveys to, indemnify and hold harmless each present and former director and officer of Harveys (the "Indemnified Parties"), against any costs or expenses (including attorneys' fees), judgments, fines, losses, claims, damages, liabilities or amounts paid in settlement incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to matters existing or occurring at or prior to the Closing, whether asserted or claimed prior to, at or after the Closing, to the fullest extent that Harveys would have been permitted under Nevada law, its Articles of Incorporation, its Bylaws and any indemnification agreements or arrangements in effect on the date hereof to indemnify such Indemnified Party.

(b) For a period of six years after the Closing, Harrah's shall maintain or shall cause Harveys to maintain in effect a directors' and officers' liability insurance policy covering those persons who are currently covered by Harveys' directors' and officers' liability insurance policy (copies of which have been heretofore delivered by Harveys to Harrah's) with coverage in amount and scope at least as favorable as Harveys' existing coverage; provided that in no event shall Harrah's or Harveys be required to expend in the aggregate annually in excess of 200% of the annual premium currently paid by Harveys for such coverage; and if such annual premium would at any time exceed 200% of the such amount, then Harrah's or Harveys shall maintain insurance policies which provide the maximum and best coverage available at an annual premium equal to 200% of such amount.

(c) In the event that Harveys or Harrah's or any of its respective, successors or assigns (i) consolidates with or merges into any other person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any person, then, and in each such case, proper provision will be made so that the successors and assigns of Harveys or Harrah's will assume the obligations thereof set forth in this Section 6.9.

(d) The provisions of this Section 6.9 are intended to be an addition to the rights otherwise available to the current officers and directors of Harveys

by law, charter, statute, bylaw or agreement, and shall operate for the benefit of, and shall be enforceable by, each of the Indemnified Parties, their heirs and their representatives.

Section 6.10 Stockholder Litigation. Harveys shall give Harrah's the reasonable opportunity to participate in the defense of any stockholder litigation against Harveys and its directors relating to the transactions contemplated hereby.

Section 6.11 Further Assurances and Actions.

(a) Subject to the terms and conditions herein, each of the parties hereto agrees to use its reasonable best efforts to take, or cause to be taken, all appropriate action, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement, including, without limitation, (i) using their respective reasonable best efforts to obtain all licenses, permits, consents, approvals, authorizations, qualifications and orders of Governmental Entities and parties to contracts with each party hereto as are necessary for consummation of the transactions contemplated by this Agreement, and (ii) to fulfill all conditions precedent applicable to such party pursuant to this Agreement.

(b) In case at any time after the Closing any further action is necessary to carry out the purposes of this Agreement or to vest Harrah's with full title to all properties, assets, rights, approvals, immunities, franchises of any of the parties to the Closing, the proper officers and/or directors of Harrah's and the particular Seller shall take all such necessary action and such individual Seller shall bear the cost of any such necessary action; PROVIDED, that if such action is necessary due to events or circumstances particular to Harrah's, Harrah's shall bear the cost of such action.

Section 6.12 Transfer Taxes. All transfer, documentary, sales, use, stamp, registration and other such Taxes (including all applicable real estate transfer or gains Taxes) and related fees (including any penalties, interest and additions to Tax) incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the Harveys stockholders, and Harveys, the Harveys stockholders and Harrah's shall cooperate in preparing and filing all Tax Returns and other documentation on a timely basis as may be required to comply with the provisions of such Tax laws.

Section 6.13 Harveys Stockholders. Voteco and Colony III shall exercise their rights pursuant to Section 2.6 of the Stockholders Agreement and shall use their reasonable best efforts to cause the other holders of Harveys Common Stock to execute a joinder hereto in substantially the form of Exhibit 6.13 hereto (a "Joinder") and each of such other holders of Harveys Common Stock shall have executed such a Joinder; PROVIDED HOWEVER, that the foregoing shall be deemed to be satisfied if Harveys, concurrently with the Closing, shall have the right to repurchase the Shares of any such stockholder for the same price per share as other holders of Harveys Common Stock; PROVIDED FURTHER, that in such event, the amount of Total Transaction Consideration shall be reduced by the amount payable to such stockholders upon Harveys' exercise of such right.

ARTICLE VII.
CONDITIONS TO CLOSING

Section 7.1 Conditions to Each Party's Obligation to Effect the Closing. The respective obligations of each party to this Agreement to effect the Closing shall be subject to the satisfaction or waiver by each party prior to the Closing of the following conditions:

(a) NO INJUNCTIONS. No Governmental Entity shall have enacted, issued, promulgated, enforced or entered any order, executive order, stay, decree, judgment or injunction or statute, rule, regulation which is in effect and which has the effect of making the Closing illegal or otherwise prohibiting consummation of the Closing.

(b) GOVERNMENTAL APPROVALS. All Governmental Approvals required to consummate the transactions contemplated hereby shall have been obtained (including, without limitation, under the Harveys Gaming Laws and the Harrah's Gaming Laws), all such approvals shall remain in full force and effect, all statutory waiting periods in respect thereof (including, without limitation, under the HSR Act) shall have expired and no such approval or expiration shall contain any conditions, limitations or restrictions, except, in each case where the failure of such to be the case would not be reasonably likely to have a Harveys Material Adverse Effect or a Harrah's Material Adverse Effect or require Harrah's to take any of the actions listed in Section 6.7(c).

Section 7.2 Additional Conditions to Obligations of Harveys. The obligation of Harveys to effect the Closing is subject to the satisfaction of each of the following conditions prior to the Closing, any of which may be waived in writing exclusively by Harveys:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties of Harrah's set forth in this Agreement shall be true and correct in all material respects (except for those qualified as to materiality or a Harrah's Material Adverse Effect, which shall be true and correct) as of the date of this Agreement and, except to the extent such representations speak as of an earlier date, as of the Closing Date as though made on and as of the Closing Date, except for changes contemplated by this Agreement. Harveys shall have received a certificate signed on behalf of Harrah's by the chief executive officer and the chief financial officer of Harrah's to such effect.

(b) PERFORMANCE OF OBLIGATIONS OF HARRAH'S. Harrah's shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and Harveys shall have received a certificate signed on behalf of Harrah's by the chief executive officer and the chief financial officer of Harrah's to such effect.

(c) THIRD-PARTY CONSENTS. Harrah's shall have received all third-party consents and approvals required to be obtained by Harrah's in connection with the transactions contemplated hereby under any contract to which Harrah's or any of its Subsidiaries may be a party, except for such third-party consents and approvals as to which the failure to obtain, individually or in the aggregate, would not reasonably be expected to impair or delay the consummation of the Closing.

(d) LETTER OF CREDIT. Harrah's shall have replaced, assumed or substituted in full the Iowa West Letter of Credit.

Section 7.3 Additional Conditions to Obligations of Harrah's. The obligations of Harrah's to effect the Closing are subject to the satisfaction of each of the following conditions prior to the Closing, any of which may be waived in writing exclusively by Harrah's:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties of Harveys set forth in this Agreement shall be true and correct in all material respects (except for those qualified as to materially or a Harveys Material Adverse Effect, which shall be true and correct) as of the date of this Agreement and, except to the extent such representations and warranties speak as of an earlier date, as of the Closing Date as though made on and as of the Closing Date, except for changes contemplated or permitted by this Agreement including Section 6.1 hereof; PROVIDED that, with respect to the truth and correctness of such representations and warranties as of the Closing Date, with respect to the use of the term "Harveys Material Adverse Effect" in such representations and warranties the following, both individually and in the aggregate, shall be excluded from the definition of "Harveys Material Adverse Effect" and from any determination as to whether any Harveys Material Adverse Effect has occurred or may occur: (i) the fact, in and of itself, that Harveys fails to meet projections (whether by Harveys or independent third parties) of earnings, revenues or other financial performance measures, (ii) the effects of changes that are applicable to the gaming industry or to the financial, banking, currency or capital markets in general, in and of themselves, and (iii) any reduction, in and of itself, in historic or prospective revenues, net income or EBITDA of Harveys C.C. Management Company, Inc. or Harveys Wagon Wheel Hotel/Casino. Harrah's shall have received a certificate signed on behalf of Harveys by the chief executive officer and the chief financial officer of Harveys to such effect.

(b) PERFORMANCE OF OBLIGATIONS OF HARVEYS AND SELLERS. Harveys and Sellers shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and Harrah's shall have received a certificate signed on behalf of Harveys by the chief executive officer and the chief financial officer of Harveys to such effect.

(c) NO MATERIAL ADVERSE CHANGE. Between the date of this Agreement and the Closing, there shall have been no material adverse change in the business, properties, assets, liabilities, operations, condition (financial or otherwise) or prospects of Harveys and its Subsidiaries, taken as a whole, or of any of the three separate businesses operated as the Harveys Resort & Casino - Lake Tahoe, Harveys Casino/Hotel Council Bluffs and Bluffs Run Casino; PROVIDED, HOWEVER, that the following, both individually and in the aggregate, shall be excluded from any determination as to whether any material adverse change has occurred or

may occur: (i) the fact, in and of itself, that Harveys fails to meet projections (whether by Harveys or independent third parties) of earnings, revenues or other financial performance measures, (ii) the effects of changes that are applicable to the gaming industry or to the financial, banking, currency or capital markets in general, in and of themselves and (iii) any reduction, in and of itself, in historic or prospective revenues, net income or EBITDA of Harveys C.C. Management Company, Inc. or Harveys Wagon Wheel Hotel/Casino.

(d) THIRD-PARTY CONSENTS. Harrah's and Harveys shall have received all third-party consents and approvals required to be obtained by Harrah's or Harveys in connection with the transactions contemplated hereby (including any consents required for the renaming or rebranding of any Harveys or its subsidiaries' gaming operations), under any contract to which Harrah's or Harveys (or any of their respective Subsidiaries) may be a party, other than consents related to Indebtedness listed on Section 3.3(b) of the Harveys Disclosure Schedule, consents related solely to Harrah's agreements and arrangements that are unrelated to Harveys, and except for such third-party consents and approvals as to which the failure to obtain, either individually or in the aggregate, would not be reasonably likely to result in (i) a material adverse change in the business, properties, assets, liabilities, operations, condition (financial or otherwise) or prospects of Harveys and its Subsidiaries, taken as a whole or (ii) a Harrah's Material Adverse Effect, as the case may be.

(e) NO DISPOSITION REQUIRED. No disposition of any Harveys Subsidiary or operation thereof prior to or upon consummation of the Closing shall be required as a condition of any Governmental Approval.

(f) ADVISORY COMMITTEE APPROVAL. The Colony III Advisory Committee shall have approved the sale of Colony III's shares of Harveys Common Stock to Harrah's.

(g) TAX WITHHOLDING FORMS AND CERTIFICATES. Harrah's shall have received a statement (in form and substance reasonably satisfactory to Harrah's) that satisfies Harrah's' obligations under Treasury Regulation Section 1.1445-2(b)(2), state tax clearance certificates or any other document(s) which may be required by any taxing authority in order to relieve Harrah's of any obligation to withhold any portion of the payments to the Harveys stockholders pursuant to this Agreement.

ARTICLE VIII.
TERMINATION AND AMENDMENT

Section 8.1 Termination. This Agreement may be terminated at any time prior to the Closing (with respect to Sections 8.1(b) and 8.1(c), by written notice by the terminating party to the other party), whether before or after approval of the matters presented in connection with the Closing by the stockholders of Harveys:

(a) by mutual written consent of Harveys and Harrah's; or

(b) by either Harrah's or Harveys if the transactions contemplated hereby shall not have been consummated on or prior to December 31, 2001 (provided that the right to terminate this Agreement under this Section 8.1(b) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of or resulted in the failure of the Closing to occur on or before such date); or

(c) by either Harrah's or Harveys if a court of competent jurisdiction or other Governmental Entity shall have issued a nonappealable final order, decree or ruling or taken any other nonappealable final action, in each case having the effect of permanently restraining, enjoining or otherwise prohibiting the Closing and the transactions contemplated hereby.

Section 8.2 Effect of Termination. In the event of termination of this Agreement as provided in Section 8.1, this Agreement shall immediately become void and there shall be no liability or obligation on the part of Harrah's or Harveys, or their respective officers, directors, stockholders or Affiliates, except as set forth in Sections 8.3, 9.2, 9.3, 9.5 and 9.6 and except that such termination shall not limit liability for a willful breach of this Agreement; provided that, the provisions of Sections 8.3, 9.2, 9.3, 9.5 and 9.6 of this Agreement and the Confidentiality Agreement shall remain in full force and effect and survive any termination of this Agreement.

Section 8.3 Fees and Expenses.

(a) Except as set forth in Section 8.3(b), all fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses, whether or not the Closing is consummated.

(b) If (provided that Harveys is not then in material breach of its obligations under this Agreement) Harrah's fails to obtain any permits, registrations, licenses, findings of suitability, consents, variances, exemptions, orders, approvals or authorizations which are necessary pursuant to Harveys Gaming Laws or the Harrah's Gaming Laws to consummate the transactions contemplated by this Agreement and this Agreement is thereafter terminated pursuant to Section 8.1(b) solely due to such failure, then Harrah's shall promptly, but in no event later than two business days following written demand therefor, pay to Harveys by wire transfer an amount equal to $5.0 million, which amount shall be inclusive of any fees or expenses incurred by Harveys and shall represent Harveys' sole and exclusive remedy against Harrah's and any of its Subsidiaries and their respective directors, officers, employees, agents, advisors or other representatives with respect to the occurrences giving rise to such payment.

Section 8.4 Sellers' Representative. Sellers hereby appoint Colony III to act as representative for all Sellers (the "Sellers' Representative"). Colony III shall act on behalf of and shall bind all Sellers as their representative in all matters related to this Agreement and the consummation of the transactions contemplated hereby, including, without limitation, in any amendment or supplement hereto.

Section 8.5 Amendment. This Agreement may be amended by Harrah's, Harveys and the Sellers' Representative. This Agreement may not be amended except by an instrument in writing signed on behalf of each of Harrah's, Harveys and the Sellers' Representative.

Section 8.6 Extension; Waiver. At any time prior to the Closing, Harrah's, Harveys and the Sellers' Representative, by action taken or authorized by their respective Boards of Directors (in the case of the Sellers' Representative, or comparable governing body, may, to the extent legally allowed (i) extend the time for or waive the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (iii) waive compliance with any of the agreements or conditions contained here. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party (or, in the case of Sellers, by the Sellers' Representative).

ARTICLE IX.
MISCELLANEOUS

Section 9.1 Survival of Certain Matters Following Termination or Closing. None of the representations, warranties and agreements in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Closing, except for the agreements contained in Sections 1.3(d) and (e), 6.6(b), 6.9 and 6.11(b) and Article IX. The Confidentiality Agreement shall survive the execution and delivery of this Agreement. At the Closing, the rights and obligations under the Confidentiality Agreement of the parties thereto shall terminate.

Section 9.2 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (which is confirmed) or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Harveys, to

Harveys Casino Resorts
Highway 50 & Stateline Avenue
Stateline, NV 89449
Attn: Wade Hundley
Telecopy: (775) 586-6852

with a copy to:

Colony Capital, LLC
1999 Avenue of the Stars

Suite 1200
Los Angeles, CA 90067
Attn: Jonathan H. Grunzweig
Telecopy: (310) 843-3663

AND TO:

Skadden, Arps, Slate, Meagher & Flom LLP
300 South Grand Avenue, Suite 3400
Los Angeles, CA 90071
Attn: Nicholas P. Saggese, Esq.
Telecopy: (213) 687-5600

(b) if to Sellers, to

Colony Investors III, L.P.
1999 Avenue of the Stars
Suite 1200
Los Angeles, CA 90067

Attn: Jonathan H. Grunzweig
Telecopy: (310) 843-3663

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
300 South Grand Avenue, Suite 3400
Los Angeles, CA 90071
Attn: Nicholas P. Saggese, Esq.
Telecopy: (213) 687-5600

(c) if to Harrah's, to

Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89199-4312
Attn: Corporate Secretary
Telecopy: (702) 407-6311

with a copy to:

Latham & Watkins
633 West Fifth Street, Suite 4000
Los Angeles, CA 90071-2007
Attn: Cynthia A. Rotell, Esq.
Telecopy: (213) 891-8763

Section 9.3 Interpretation. When a reference is made in this Agreement to Sections, such reference shall be to a Section of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation." The phrase "made available" in this Agreement shall mean that the information referred to has been made available if requested by the party to whom such information is to be made available. The phrases "the date of this Agreement", "the date hereof," and terms of similar import, unless the context otherwise requires, shall be deemed to refer to April 24, 2001. As used in this Agreement, "best knowledge" means with respect to a person other than an individual, the knowledge of any executive officer, director or key employee of such person. Any such individual will be deemed to have "knowledge" of a particular fact or other matter if: (i) such individual is actually aware of such fact or other matter or (ii) such individual could be expected to discover or otherwise become aware of such fact or other matter in the ordinary course of performing such individual's employment duties in a prudent manner.

Section 9.4 Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement.

Section 9.5 Entire Agreement; No Third Party Beneficiaries. This Agreement and all documents and instruments referred to herein (a) constitute the entire agreement and supersede all prior agreements and understandings, both written

and oral, among the parties with respect to the subject matter hereof, and (b) except as provided in Section 6.9 are not intended to confer upon any person other than the parties hereto any rights or remedies hereunder; provided that the Confidentiality Agreement shall remain in full force and effect until the Closing. Each party hereto agrees that, except for the representations and warranties contained in this Agreement and the respective Disclosure Schedules, none of Harrah's or Harveys makes any other representations or warranties, and each hereby disclaims any other representations and warranties made by itself or any of its officers, directors, employees, agents, financial and legal advisors or other representatives, with respect to the execution and delivery of this Agreement or the transactions contemplated hereby, notwithstanding the delivery or disclosure to any of them or their respective representatives of any documentation or other information with respect to any one or more of the foregoing.

Section 9.6 Governing Law. This Agreement shall be governed and construed in accordance with the laws applicable to contracts made and to be performed in of the State of Nevada, without regard to any applicable conflicts of law.

Section 9.7 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of Harrah's, Harveys and the Sellers' Representative. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be signed by their respective duly authorized officers as of the date first written above.

HARRAH'S ENTERTAINMENT, INC.

/s/ PHILIP G. SATRE

By: Philip G. Satre
Its: Chairman of the Board and CEO

HARVEYS CASINO RESORTS

/s/ WADE HUNDLEY

By: Wade Hundley
Its: Executive Vice President

COLONY HCR VOTECO, LLC

/s/ THOMAS J. BARRACK, JR.

By: Thomas J. Barrack, Jr.
Its:

COLONY CAPITAL III, L.P.

/s/ THOMAS J. BARRACK, JR.

By: Thomas J. Barrack, Jr.
Its:

EXHIBIT 1.3(a)
Sellers Representative Certificate

[Exhibit to be Attached]

EXHIBIT 1.3(b)
Illustration of Calculation of Total Transaction Consideration

[Exhibit to be Attached]

Exhibits

EXHIBIT 6.13
Joinder

[Exhibit to be Attached]

Exhibit 10.1

EXECUTION

AMENDED AND RESTATED 364-DAY LOAN AGREEMENT

Dated as of April 26, 2001

among

HARRAH'S ENTERTAINMENT, INC.

as Guarantor

HARRAH'S OPERATING COMPANY, INC.
MARINA ASSOCIATES

as Borrowers

The Lenders, Syndication Agent, Documentation Agents
And Co-Documentation Agents Herein Named

and

BANK OF AMERICA, N.A.,

as Administrative Agent

BANC OF AMERICA SECURITIES LLC
Lead Arranger and Sole Book Manager

TABLE OF CONTENTS

AMENDED AND RESTATED 364-DAY LOAN AGREEMENT

Dated as of April 26, 2001

This AMENDED AND RESTATED 364-DAY LOAN AGREEMENT ("Agreement") is entered into among Harrah's Operating Company, Inc., a Delaware corporation ("Company"), Marina Associates, a New Jersey general partnership ("Marina" and together with the Company and such other Subsiries that become Borrowers pursuant to Section 2.6 hereof, as Borrowers), Harrah's Entertainment, Inc., a Delaware corporation (the "Parent"), as Guarantor, Bank of America, N.A. and each lender whose name is set forth on the signature pages of this Agreement and each other lender which may hereafter become a party to this Agreement pursuant to Section 11.8 (collectively, the "Lenders" and individually, a "Lender"), Bankers Trust Company, as Syndication Agent, CIBC World Markets Corp. and

Societe Generale, as Documentation Agents, Commerzbank AG and Wells Fargo Bank, N.A., as Co-Documentation Agents, and Bank of America, N.A., as Administrative Agent. While not party to this Agreement, Banc of America Securities LLC has served as Lead Arranger and Sole Book Manager.

RECITALS

A. Parent and Borrowers have heretofore entered into a 364-Day Loan Agreement dated as of April 30, 1999, pursuant to which a $300,000,000 credit facility was extended to the Borrowers. The credit facilities under such 364-Day Loan Agreement have heretofore been increased to $375,000,000 and the maturity thereof extended to April 26, 2001 (the "Existing Loan Agreement").

B. Parent and Borrowers have requested that the Lenders amend and restate the Existing Loan Agreement in its entirety in the manner set forth herein and to extend the maturity of the Existing Loan Agreement for an additional 364 day period.

C. It is intended that the Company shall be jointly and severally liable for all of the Obligations hereunder, as more particularly set forth in Section 11.23, notwithstanding any allocation of the Obligations to the nominal account of any other Borrower.

D. The principal Obligations of Marina for Loans hereunder shall be limited to the amount of Loans borrowed by Marina under its Aggregate Sublimit.

E. Red River Entertainment of Shreveport Partnership in Commendam, a Louisiana limited partnership which has heretofore been added to the Existing Loan Agreement as an additional Borrower, shall concurrently herewith cease to be a Borrower under this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

Article 1
DEFINITIONS AND ACCOUNTING TERMS

1.1 DEFINED TERMS . As used in this Agreement, the following terms shall have the meanings set forth below:

"ADMINISTRATIVE AGENT" means Bank of America, N.A., when acting in its capacity as the Administrative Agent under any of the Loan Documents, or any successor Administrative Agent.

"ADMINISTRATIVE AGENT'S OFFICE" means the Administrative Agent's address as set forth on the signature pages of this Agreement, or such other address as the Administrative Agent hereafter may designate by written notice to Borrowers and the Lenders.

"ADVANCE" means any Advance made to a Borrower by any Lender in accordance with its Pro Rata Share pursuant to Section 2.1.

"AFFILIATE" means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (and the correlative terms, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise); PROVIDED that, in any event, any Person that owns, directly or indirectly, 5% or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation that has more than 100 record holders of such securities, or 5% or more of the partnership or other ownership interests of any other Person that has more than 100 record holders of such interests, will be deemed to control such corporation or other Person.

"AGGREGATE SUBLIMIT" means (a) with respect to Marina $500,000,000, and (b) with respect to each other Subsidiary of Parent which hereafter becomes a Borrower, such aggregate amount as shall be established in accordance with Section 2.6.

"AGREEMENT" means this Amended and Restated 364-Day Loan Agreement, either as originally executed or as it may from time to time be supplemented, modified, amended, restated or extended.

"ASSIGNMENT AGREEMENT" means an Assignment Agreement substantially in the form of Exhibit A.

"BANK OF AMERICA" means Bank of America, N.A., its successors and assigns.

"BASE RATE" means, as of any date of determination, the rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the HIGHER OF (a) the Reference Rate in effect on such date (calculated on the basis of a year of 365 or 366 days and the actual number of days elapsed) and (b) the Federal Funds Rate in effect on such date (calculated on the basis of a year of 360 days and the actual number of days elapsed) PLUS 1/2 of 1% (50 basis points).

"BASE RATE ADVANCE" and "BASE RATE LOAN" mean, respectively, an Advance or a Loan made hereunder and specified to be a Base Rate Advance or Loan in accordance with Article 2.

"BASE RATE MARGIN" means, for each Pricing Period, the Eurodollar Margin (after any Pricing Adjustment) for that Pricing Period MINUS 125 basis points, PROVIDED that in no event shall the Base Rate Margin be less than 0.00 basis points.

"BORROWERS" means, collectively, Company, Marina and each other Wholly-Owned Subsidiary which is hereafter designated as a Borrower in accordance with Section 2.6, and their respective successors and permitted assigns.

"BUSINESS DAY" means any Monday, Tuesday, Wednesday, Thursday or Friday, OTHER THAN a day on which commercial banks are authorized or required to be closed in California or New York.

"CAPITAL LEASE OBLIGATIONS" means all monetary obligations of a Person under any leasing or similar arrangement which, in accordance with Generally Accepted Accounting Principles, is classified as a capital lease.

"CASH" means, when used in connection with any Person, all monetary and non-monetary items owned by that Person that are treated as cash in accordance with Generally Accepted Accounting Principles, consistently applied.

"CERTIFICATE OF A RESPONSIBLE OFFICIAL" means a certificate signed by a Responsible Official of the Person providing the certificate.

"CHANGE IN CONTROL" means the occurrence of a Rating Decline in connection with any of the following events (or, if either of the Debt Ratings have then declined to below Investment Grade, the occurrence of any of the following events without the requirement of any further decline in the Debt Ratings): (i) upon any merger or consolidation of Parent with or into any person or any sale, transfer or other

conveyance, whether direct or indirect, of all or substantially all of the assets of Parent, on a consolidated basis, in one transaction or a series of related transactions, if, immediately after giving effect to such transaction, any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of securities representing a majority of the total voting power of the aggregate outstanding securities of the transferee or surviving entity normally entitled to vote in the election of directors, managers, or trustees, as applicable, of the transferee or surviving entity, (ii) when any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated by The Securities and-Exchange Commission under said Act) of securities representing a majority of total voting power of the aggregate outstanding securities of

Parent normally entitled to vote in the election of directors of Parent, (iii) when, during any period of 12 consecutive calendar months, individuals who were directors of Parent on the first day of such period (together with any new directors whose election by the board of directors of Parent or whose nomination for election by the stockholders of Parent was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of Parent, or (iv) the sale or disposition, whether directly or indirectly, by Parent of all or substantially all of its assets.

"CLOSING DATE" means the time and Business Day on which the conditions set forth in Section 8.1 are satisfied or waived. The Administrative Agent shall notify Borrowers and the Lenders of the date that is the Closing Date.

"CO-DOCUMENTATION AGENTS" means those Lenders listed in the preamble of this Agreement as such. No Co-Documentation Agent shall have any additional rights, duties or obligations under this Agreement or the other Loan Documents by reason of its being a Co-Documentation Agent.

"CODE" means the Internal Revenue Code of 1986, as amended or replaced and as in effect from time to time.

"COMMITMENT" means, subject to Sections 2.7, 2.8, 2.9 and 11.14, $328,000,000. As of the Closing Date, each Lender has a Pro Rata Share equal to the amount of the Note issued to that Lender, which amount is as set forth in a written advice from the Lead Arranger to such Lender.

"COMPANY" means Harrah's Operating Company, Inc., its successors and permitted assigns.

"COMPLIANCE CERTIFICATE" means a certificate substantially in the form of Exhibit B, properly completed and signed on behalf of Borrowers by a Senior Officer of each Borrower.

"CONFIDENTIAL INFORMATION MEMORANDUM" means the Confidential Information Memorandum dated March, 2001, distributed to the Lenders in connection with the credit facilities provided herein.

"CONTINGENT OBLIGATION" means, as to any Person, any (a) guarantee by that Person of Indebtedness of, or other obligation performable by, any other Person or (b) assurance given by that Person to an obligee of any other Person with respect to the performance of an obligation by, or the financial condition of, such other Person, whether direct, indirect or contingent, INCLUDING any purchase or repurchase agreement covering such obligation or any collateral security therefor, any agreement to provide funds (by means of loans, capital contributions or otherwise) to such other Person, any agreement to support the solvency or level of any balance sheet item of such other Person or any "keep-well", "make-well" or other arrangement of whatever nature given for the purpose of assuring or holding harmless such obligee against loss with respect to any obligation of such other Person; PROVIDED, HOWEVER, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business.

"CONTRACTUAL OBLIGATION" means, as to any Person, any provision of any outstanding security issued by that Person or of any material agreement, instrument or undertaking to which that Person is a party or by which it or any of its Property is bound.

"CREDITORS" means, collectively, the Administrative Agent, each Lender, Syndication Agent, Documentation Agents, Co-Documentation Agents, the Lead Arranger, the Co-Lead Arranger and, where the context requires, any one or more of them.

"DEBT RATING" means, as of each date of determination, the most creditworthy credit rating, actual or implicit, assigned to senior unsecured Indebtedness of Company by S&P or Moody's, whichever is higher.

"DEBTOR RELIEF LAWS" means the Bankruptcy Code of the United States of America, as amended from time to time, and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws from time to time in effect affecting the rights of creditors generally.

"DEFAULT" means any event that, with the giving of any applicable notice or passage of time specified in Section 9.1, or both, would be an Event of Default.

"DEFAULT RATE" means the interest rate prescribed in Section 3.8.

"DEFEASED DEBT" means (a) the $58,300,000 aggregate principal amount of Showboat's First Mortgage Bonds due 2008, (b) the $2,400,000 aggregate outstanding principal amount of Showboat's Senior Subordinated Notes due 2009, and (c) any other Indebtedness of Parent and its Subsidiaries which, at any relevant time, is subject to legal or covenant defeasance in a manner which is reasonably acceptable to the Administrative Agent.

"DESIGNATED DEPOSIT ACCOUNT" means a deposit account to be maintained by Borrowers with Bank of America, as from time to time designated by Borrowers by written notification to the Administrative Agent.

"DESIGNATED EURODOLLAR MARKET" means, with respect to any Eurodollar Rate Loan, (a) the London Eurodollar Market, or (b) if prime banks in the London Eurodollar Market are at the relevant time not accepting deposits of Dollars or if the Administrative Agent determines that the London Eurodollar Market does not represent at the relevant time the effective pricing to the Lenders for deposits of Dollars in the London Eurodollar Market, the Cayman Islands Eurodollar Market or (c) if prime banks in the Cayman Islands Eurodollar Market are at the relevant time not accepting deposits of Dollars or if the Administrative Agent determines that the Cayman Islands Eurodollar Market does not represent at the relevant time the effective pricing to the Lenders for deposits of Dollars in the Cayman Islands Eurodollar Market, such other Eurodollar Market as may from time to time be selected by the Administrative Agent with the approval of Borrowers and the Requisite Lenders.

"DISQUALIFICATION" means, with respect to any Lender:

(a) the failure of that Person timely to file pursuant to applicable Gaming Laws (i) any application requested of that Person by any Gaming Board in connection with any licensing required of that Person as a lender to Borrowers or (ii) any required application or other papers in connection with determination of the suitability of that Person as a lender to Borrowers;

(b) the withdrawal by that Person (EXCEPT where requested or permitted by the Gaming Board) of any such application or other required papers; or

(c) any final determination by a Gaming Board pursuant to applicable Gaming Laws (i) that such Person is "unsuitable" as a lender to Borrowers, (ii) that such Person shall be "disqualified" as a lender to Borrowers or (iii) denying the issuance to that Person of any license required under applicable Gaming Laws to be held by all lenders to Borrowers.

"DOCUMENTATION AGENTS" means those Lenders listed in the preamble of this Agreement as such. No Documentation Agent shall have any additional rights, duties

or obligations under this Agreement or the other Loan Documents by reason of its being a Documentation Agent.

"DOLLARS" or "$" means United States dollars.

"EBITDA" means, for any period, Net Income for such period before (i) income taxes, (ii) interest expense, (iii) depreciation and amortization, (iv) minority interest, (v) extraordinary losses or gains, (vi) Pre-Opening Expenses, and (vii) nonrecurring non-cash charges, PROVIDED that, in calculating "EBITDA":

(a) the operating results of each New Project which commences operations and records not less than one full fiscal quarter's operations during the relevant period shall be annualized; and

(b) EBITDA shall be adjusted, on a pro forma basis, to include the operating results of each resort or casino property acquired by Parent and

its Consolidated Subsidiaries during the relevant period and to exclude the operating results of each resort or casino property sold or otherwise disposed of by Parent and its Subsidiaries, or whose operations are discontinued during the relevant period.

"ELECTION TO BECOME A BORROWER" means an Election to Become a Borrower, substantially in the form of Exhibit G to this Agreement, properly completed and duly executed by each required party thereto.

"ELIGIBLE ASSIGNEE" means (a) another Lender, (b) with respect to any Lender, any Affiliate of that Lender, (c) any commercial bank having a combined capital and surplus of $100,000,000 or more which is (i) organized under the laws of the United States or any state thereof, or (ii) the domestic branch or agency of any such commercial bank organized under the laws of a country which is a member of the Organization for Economic Cooperation and Development, (d) any (i) savings bank, savings and loan association or similar financial institution or (ii) insurance company engaged in the business of writing insurance which, in either case (A) has a net worth of $200,000,000 or more, (B) is engaged in the business of lending money and extending credit under credit facilities substantially similar to those extended under this Agreement and (C) is operationally and procedurally able to meet the obligations of a Lender hereunder to the same degree as a commercial bank and (e) any other financial institution (INCLUDING a mutual fund or other fund) having total assets of $250,000,000 or more which meets the requirements set forth in subclauses (B) and (C) of clause (d) above; PROVIDED that each Eligible Assignee must either (a) be organized under the Laws of the United States of America, any State thereof or the District of Columbia or (b) be organized under the Laws of the Cayman Islands or any country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of such a country, and (i) act hereunder through a branch, agency or funding office located in the United States of America and (ii) otherwise be exempt from withholding of tax on interest and delivers

Form 1001 or Form 4224 pursuant to Section 11.21 at the time of any assignment pursuant to Section 11.8.

"ERISA" means the Employee Retirement Income Security Act of 1974, and any regulations issued pursuant thereto, as amended or replaced and as in effect from time to time.

"EURODOLLAR BUSINESS DAY" means any Business Day on which dealings in Dollar deposits are conducted by and among banks in the Designated Eurodollar Market.

"EURODOLLAR LENDING OFFICE" means, as to each Lender, its office or branch so designated by written notice to Borrowers and the Administrative Agent as its Eurodollar Lending Office. If no Eurodollar Lending Office is designated by a Lender, its Eurodollar Lending Office shall be its office at its address for purposes of notices hereunder.

"EURODOLLAR MARGIN" means, for each Pricing Period, the interest rate margin set forth below (expressed in basis points) opposite the Pricing Level for that Pricing Period PLUS or MINUS any then Pricing Adjustment applicable during that Pricing Period:

Pricing Level	Eurodollar Margin
I	52.00
II	65.00
III	75.00
IV	85.00
V	105.00
VI	137.50

"EURODOLLAR MARKET" means a regular established market located outside the United States of America by and among banks for the solicitation, offer and acceptance of Dollar deposits in such banks.

"EURODOLLAR OBLIGATIONS" means eurocurrency liabilities, as defined

in Regulation D.

"EURODOLLAR PERIOD" means, as to each Eurodollar Rate Loan, the period commencing on the date specified by any Borrower pursuant to Section 2.1(b) and ending 1, 2, 3 or 6 months thereafter (or, with the written consent of all of the Lenders, any other period), as specified by that Borrower in the applicable Request for Loan; PROVIDED that:

(a) The first day of any Eurodollar Period shall be a Eurodollar Business Day;

(b) Any Eurodollar Period that would otherwise end on a day that is not a Eurodollar Business Day shall be extended to the next succeeding Eurodollar Business Day unless such Eurodollar Business Day falls in another calendar month, in which case such Eurodollar Period shall end on the next preceding Eurodollar Business Day; and

(c) No Eurodollar Period shall extend beyond the Maturity Date.

"EURODOLLAR QUOTED RATE" means, with respect to any Eurodollar Rate Loan, the average of the interest rates per annum (rounded upward, if necessary, to the next 1/16 of 1%) at which deposits in Dollars are offered by Bank of America to prime banks in the Designated Eurodollar Market at or about 11:00 a.m. local time in the Designated Eurodollar Market, two Eurodollar Business Days before the first day of the applicable Eurodollar Period in an aggregate amount approximately equal to the amount of the Advances made by Bank of America with respect to such Eurodollar Rate Loan and for a period of time comparable to the number of days in the applicable Eurodollar Period. The determination of the Eurodollar Quoted Rate by the Administrative Agent shall be conclusive in the absence of manifest error.

"EURODOLLAR RATE" means, with respect to any Eurodollar Rate Loan based on a margin over the Eurodollar Rate, an interest rate per annum (rounded upward, if necessary, to the nearest 1/16 of one percent) determined pursuant to the following formula:

$$\text{Eurodollar Rate} = \frac{\text{Eurodollar Quoted Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

"EURODOLLAR RATE ADVANCE" and "EURODOLLAR RATE LOAN" mean, respectively, a Advance made hereunder and specified to be a Eurodollar Rate Advance or Loan in accordance with Article 2.

"EURODOLLAR RESERVE PERCENTAGE" means, with respect to any Eurodollar Rate Loan, the maximum reserve percentage (expressed as a decimal, rounded upward to the nearest 1/100th of 1%) in effect on the date the Eurodollar Quoted Rate for that Eurodollar Rate Loan is determined (whether or not applicable to any Lender) under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to eurocurrency funding (currently referred to as "eurocurrency liabilities") having a term comparable to the Eurodollar Period for such Eurodollar Rate Loan. The determination by the Administrative Agent of any

applicable Eurodollar Reserve Percentage shall be conclusive in the absence of manifest error.

"EVENT OF DEFAULT" shall have the meaning provided in Section 9.1.

"EXISTING SENIOR NOTES" means the Company's $500,000,000 in 7.5% Senior Unsecured Notes due 2009 issued pursuant to the Indenture dated December 18, 1998 between the Company and IBJ Schroeder Bank and Trust Company, as Trustee and the First Supplemental Indenture with respect thereto dated as of January 20, 1999 among the Company, the Parent and IBJ Whitehall Bank & Trust Company, as Trustee.

"EXISTING SUBORDINATED DEBT" means the Company's $750,000,000 7.875% Senior Subordinated Notes due 2005 issued pursuant to the Indenture dated

December 9, 1998 among the Company and IBJ Schroeder Bank and Trust Company, as Trustee and the First Supplemental Indenture with respect thereto dated as of December 9, 1998 among the Company, the Parent and the Trustee.

"FACILITY FEE RATE" means, for each Pricing Period, the rate set forth below (expressed in basis points) opposite the Pricing Level for that Pricing Period:

Pricing Level	Facility Fee Rate
I	8.00
II	10.00
III	12.50
IV	15.00
V	20.00
VI	25.00

"FEDERAL FUNDS RATE" means, as of any date of determination, the rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (including any such successor, "H.15(519)") for such date opposite the caption "Federal Funds (Effective)". If for any relevant date such rate is not yet published in H.15(519), the rate for such date will be the rate set forth in the daily statistical release designated as the Composite 3:30 p.m. Quotations for U.S. government securities, or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, the "Composite 3:30 p.m. Quotation") for such date under the caption "Federal Funds Effective Rate". If on any relevant date the appropriate rate for such date is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, the rate for such date will be the arithmetic mean of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that date by each of three leading brokers of Federal funds transactions in New York City selected by the Administrative Agent. For purposes of this Agreement, any change in the Base Rate due to a change in the

Federal Funds Rate shall be effective as of the opening of business on the effective date of such change.

"FISCAL QUARTER" means the fiscal quarter of Parent consisting of a three month fiscal period ending on each March 31, June 30, September 30, December 31.

"FISCAL YEAR" means the fiscal year of Parent consisting of a twelve month fiscal period ending on each December 31.

"FIVE YEAR COMMITMENTS" means the lending commitment of the lenders under the Five Year Loan Agreement.

"FIVE YEAR LOAN AGREEMENT" means the Five Year Loan Agreement dated as of April 20, 1999, among the Lenders party to this Agreement on the Effective Date and Bank of America, as Administrative Agent, as amended as of April 3, 2000 by an Amendment No. 1 thereto, and concurrently herewith by an Amendment No. 2, or hereafter amended.

"GAMING BOARD" means any Governmental Agency that holds regulatory, licensing or permit authority over gambling, gaming or casino activities conducted by Parent and its Subsidiaries within its jurisdiction, or before which an application for licensing to conduct such activities is pending.

"GAMING LAWS" means all Laws pursuant to which any Gaming Board possesses regulatory, licensing or permit authority over gambling, gaming

or casino activities conducted by Parent and its Subsidiaries within its jurisdiction.

"GENERALLY ACCEPTED ACCOUNTING PRINCIPLES" means, as of any date of determination, accounting principles (a) set forth as generally accepted in then currently effective Opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants, (b) set forth as generally accepted in then currently effective Statements of the Financial Accounting Standards Board or (c) that are then approved by such other entity as may be approved by a significant segment of the accounting profession in the United States of America. The term "CONSISTENTLY APPLIED," as used in connection therewith, means that the accounting principles applied are consistent in all material respects to those applied at prior dates or for prior periods.

"GOVERNMENTAL AGENCY" means (a) any international, foreign, federal, state, county or municipal government, or political subdivision thereof, (b) any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality or public body, or (c) any court or administrative tribunal.

"HAZARDOUS MATERIALS" means substances defined as hazardous substances pursuant to the Comprehensive Environmental Response, Compensation and Liability

Act of 1980, 42 U.S.C.ss. 9601 et seq., or as hazardous, toxic or pollutant pursuant to the Hazardous Materials Transportation Act, 49 U.S.C.ss. 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C.ss. 6901, et seq., the Hazardous Waste Control Law, California Health & Safety Codess. 25100, et seq., or in any other applicable Hazardous Materials Law, in each case as such Laws are amended from time to time.

"HAZARDOUS MATERIALS LAWS" means all federal, state or local laws, ordinances, rules or regulations governing the disposal of Hazardous Materials applicable to any of the Real Property.

"INDEBTEDNESS" means, as to any Person and as of each date of determination, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with Generally Accepted Accounting Principles, (v) all indebtedness or other obligations secured by a contractual Lien on any asset of such Person, whether or not such indebtedness or other obligations are otherwise an obligation of such Person, and (vi) all Contingent Obligations made by such Person (including by way of provision of letters of credit or other contingent obligations) with respect to indebtedness or other obligations of any other Person which constitute "Indebtedness" of a type or class described in clauses (i) through (v) of this definition.

"INTANGIBLE ASSETS" means assets that are considered intangible assets under Generally Accepted Accounting Principles, INCLUDING customer lists, goodwill, computer software, copyrights, trade names, trademarks and patents.

"INTERCOMPANY DEBT" means any Indebtedness owed by a Subsidiary of Parent to a Borrower.

"INTEREST COVERAGE RATIO" means, as of the last day of any Fiscal Quarter, the RATIO OF (a) EBITDA FOR THE FOUR FISCAL QUARTER PERIOD ENDING ON THAT DATE TO (b) INTEREST EXPENSE FOR THE SAME PERIOD.

"INTEREST DIFFERENTIAL" means, with respect to any prepayment of a Eurodollar Rate Loan on a day prior to the last day of the applicable Eurodollar Period and with respect to any failure to borrow a Eurodollar Rate Loan on the date or in the amount specified in any Request for Loan, (a) the per annum interest rate payable pursuant to Section 3.1(c) with respect to the Eurodollar Rate Loan MINUS (b) the Eurodollar Rate on, or as near as practicable to the date of the prepayment or failure to borrow for, a Eurodollar Rate Loan commencing on such date and ending on the last day of the Eurodollar Period of the Eurodollar Rate Loan so prepaid or which would have been borrowed on such date.

"INTEREST EXPENSE" means, as of the last day of any fiscal period, the SUM OF (a) all interest, fees, charges and related expenses paid or payable (without duplication) for that fiscal period to a lender in connection with borrowed money or the deferred purchase price of assets that are considered "interest expense" under Generally Accepted Accounting Principles, PLUS (b) the portion of rent paid or payable (without duplication) for that fiscal period under Capital Lease Obligations that should be treated as interest in accordance with Financial Accounting Standards Board Statement No. 13.

"INVESTMENT" means, when used in connection with any Person, any investment by or of that Person, whether by means of purchase or other acquisition of stock or other securities of any other Person or by means of a loan, advance creating a debt, capital contribution, guaranty or other debt or equity participation or interest in any other Person, INCLUDING any partnership and joint venture interests of such Person. The amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

"INVESTMENT GRADE" means (i) with respect to S&P, a rating of BBB- or higher, and (ii) with respect to Moody's, a rating of Baa3 or higher.

"JOINT VENTURE HOLDING COMPANY" means any Subsidiary of Parent which has no substantial assets other than equity securities, securities convertible into equity securities and warrants, options or similar rights to purchase such equity securities or convertible securities (and any dividends, cash, instruments or other property received in respect of or in exchange for any of the foregoing), in each case issued by Persons which are not Subsidiaries of Parent.

"LAWS" means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, regulations, ordinances, codes and administrative or judicial precedents.

"LEAD ARRANGER" means Banc of America Securities, LLC. The Lead Arranger shall have no duties or obligations under this Agreement or the other Loan Documents.

"LICENSE REVOCATION" means the revocation, failure to renew or suspension of, or the appointment of a receiver, supervisor or similar official with respect to, any casino, gambling or gaming license issued by any Gaming Board covering any casino or gaming facility of Parent or any of its Subsidiaries.

"LIEN" means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, lien or charge of any kind, whether voluntarily incurred or arising by operation of Law or otherwise, affecting any Property, INCLUDING any agreement to grant any of the foregoing, any conditional sale

or other title retention agreement, any lease in the nature of a security interest, and/or the filing of or agreement to give any financing statement (OTHER THAN a precautionary financing statement with respect to a lease or other agreement that is not in the nature of a security interest) under the Uniform Commercial Code or comparable Law of any jurisdiction with respect to any Property.

"LOAN" means the aggregate of the Advances made at any one time by the Lenders pursuant to Article 2.

"LOAN DOCUMENTS" means, collectively, this Agreement, the Notes, the Parent Guaranty, any Request for Loan, any Compliance Certificate and any other instruments, documents or agreements of any type or nature hereafter executed and delivered by Parent or any of its Subsidiaries or Affiliates to the Administrative Agent or any other Creditor in any way relating to or in furtherance of this Agreement, in each case either as originally executed or as the same may from time to time be supplemented, modified, amended, restated, extended or supplanted.

"MANAGEMENT COMPANY" means any Subsidiary of Parent which has no substantial assets other than contractual rights to receive fees under management agreements, development agreements or similar instruments.

"MARGIN STOCK" means "margin stock" as such term is defined in Regulation U.

"MATERIAL ADVERSE EFFECT" means any set of circumstances or events which (a) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of any Loan Document, (b) is or could reasonably be expected to be material and adverse to the condition (financial or otherwise), assets, business or operations of Parent and its Subsidiaries, taken as a whole, or (c) materially impairs or could reasonably be expected to materially impair the ability of Parent and its Subsidiaries, taken as a whole, to perform the Obligations.

"MATURITY DATE" means April 25, 2002, or such later anniversary thereof as may be established pursuant to Section 2.8.

"MOODY'S" means Moody's Investor Service, Inc., its successors and assigns.

"MULTIEMPLOYER PLAN" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA.

"NEGATIVE PLEDGE" means a Contractual Obligation that contains a covenant binding on Parent or any of its Subsidiaries that prohibits Liens on any of its or their Property, OTHER THAN (a) any such covenant contained in a Contractual Obligation granting a Lien permitted under Section 6.4 which affects only the Property that is the

subject of such permitted Lien and (b) any such covenant that does not apply to Liens securing the Obligations.

"NET INCOME" means, with respect to any fiscal period, the consolidated net income of Parent and its Subsidiaries for that period, determined in accordance with Generally Accepted Accounting Principles, consistently applied.

"NET TANGIBLE ASSETS" means, as of each date of determination, the total amount of assets of Parent its Subsidiaries as of the last day of the most recent Fiscal Quarter for which financial statements have been delivered in accordance with Section 7.1, after deducting therefrom (a) all current liabilities of Parent and its Subsidiaries (excluding (i) the current portion of long term Indebtedness, (ii) inter-company liabilities, and (iii) any liabilities which are by their terms renewable or extendable at the option of the obligor thereon to a time more than twelve months from the time as of which the amount thereof is being computed), and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all as set forth on the latest consolidated balance sheet of Parent prepared in accordance with Generally Accepted Accounting Principles.

"NEW PROJECT" means each new hotel - casino, casino or resort project (as opposed to any project which consists of an extension or redevelopment of an operating hotel, casino or resort) owned by Parent or its Subsidiaries having a development and construction budget in excess of $25,000,000 which hereafter receives a certificate of completion or occupancy and all relevant gaming and other licenses, and in fact commences operations.

"Note" means the promissory note made by each Borrower to a Lender evidencing the Advances under that Lender's Pro Rata Share to that Borrower, substantially in the form of Exhibit B, either as originally executed or as the same may from time to time be supplemented, modified, amended, renewed, extended or supplanted.

"OBLIGATIONS" means all present and future obligations of every kind or nature of Parent, Borrowers or any Party at any time and from time to time owed to the Creditors or any one or more of them, under any one or more of the Loan Documents, whether due or to become due, matured or unmatured, liquidated or unliquidated, or contingent or noncontingent, INCLUDING obligations of performance as well as obligations of payment, and INCLUDING interest that accrues after the commencement of any proceeding under any Debtor Relief Law by or against Parent, any Borrower or any Subsidiary of Parent.

"OPINIONS OF COUNSEL" means (a) the favorable written legal opinion of Parent's general counsel, and (b) the favorable written legal opinion

of Clayton K. Rice, II, Assistant General Counsel of Parent and the Borrowers, substantially in the form of

Exhibit D, together with copies of all factual certificates and legal opinions upon which such counsel have relied.

"PARENT" means Harrah's Entertainment, Inc., a Delaware corporation, and its permitted successors and assigns.

"PARENT GUARANTY" means the Guaranty executed by Parent on the Closing Date with respect to the Obligations, substantially in the form of Exhibit E, either as originally executed or as it may from time to time be supplemented, modified, amended, restated or extended.

"PARTY" means any Person other than Creditors which now or hereafter is a party to any of the Loan Documents.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor thereof established under ERISA.

"PENSION PLAN" means any "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA), OTHER THAN a Multiemployer Plan, which is subject to Title IV of ERISA and is maintained by Parent or any of its Subsidiaries or to which Parent or any of its Subsidiaries contributes or has an obligation to contribute.

"PERMITTED ENCUMBRANCES" means:

(a) inchoate Liens incident to construction or maintenance of Real Property; or Liens incident to construction or maintenance of Real Property now or hereafter filed of record for which adequate reserves have been set aside (or deposits made pursuant to applicable Law) and which are being contested in good faith by appropriate proceedings and have not proceeded to judgment, PROVIDED that, by reason of nonpayment of the obligations secured by such Liens, no such Real Property is subject to a material risk of loss or forfeiture;

(b) Liens for taxes and assessments on and similar charges with respect to Real Property which are not yet past due; or Liens for taxes and assessments on Real Property for which adequate reserves have been set aside and are being contested in good faith by appropriate proceedings and have not proceeded to judgment, PROVIDED that, by reason of nonpayment of the obligations secured by such Liens, no material Real Property is subject to a material risk of loss or forfeiture;

(c) defects and irregularities in title to any Real Property which in the aggregate do not materially impair the fair market value or use of the Real Property for the purposes for which it is or may reasonably be expected to be held;

(d) easements, exceptions, reservations, or other agreements for the purpose of pipelines, conduits, cables, wire communication lines, power lines and substations, streets, trails, walkways, driveways, drainage, irrigation, water, and sewerage purposes, dikes, canals, ditches, the removal of oil, gas, coal, or other minerals, and other like purposes affecting Real Property, facilities, or equipment which in the aggregate do not materially burden or impair the fair market value or use of such Real Property for the purposes for which it is or may reasonably be expected to be held;

(e) easements, exceptions, reservations, or other agreements for the purpose of facilitating the joint or common use of property which in the aggregate do not materially burden or impair the fair market value or use of such property for the purposes for which it is or may reasonably be expected to be held;

(f) rights reserved to or vested in any Governmental Agency to control or regulate, or obligations or duties to any Governmental Agency with respect to, the use of any Real Property;

(g) rights reserved to or vested in any Governmental Agency to control or regulate, or obligations or duties to any Governmental Agency with respect to, any right, power, franchise, grant, license, or permit;

(h) present or future zoning laws, building codes and ordinances, zoning restrictions, or other laws and ordinances restricting the occupancy, use, or enjoyment of Real Property;

(i) statutory Liens, other than those described in clauses (a) or (b) above, arising in the ordinary course of business with respect to obligations which are not delinquent or are being contested in good faith, PROVIDED that, if delinquent, adequate reserves have been set aside with respect thereto and, by reason of nonpayment, no property is subject to a material risk of loss or forfeiture;

(j) covenants, conditions, and restrictions affecting the use of Real Property which in the aggregate do not materially impair the fair market value or use of the Real Property for the purposes for which it is or may reasonably be expected to be held;

(k) rights of tenants under leases and rental agreements covering Real Property entered into in the ordinary course of business of the Person owning such Real Property;

(l) Liens consisting of pledges or deposits to secure obligations under workers' compensation laws or similar legislation, including Liens of judgments thereunder which are not currently dischargeable;

(m) Liens consisting of pledges or deposits of property to secure performance in connection with operating leases made in the ordinary course of business to which Parent or any of its Subsidiaries is a party as lessee, PROVIDED the aggregate value of all such pledges and deposits in connection with any such lease does not at any time exceed 20% of the annual fixed rentals payable under such lease;

(n) Liens consisting of deposits of property to secure bids made with respect to, or performance of, contracts (OTHER THAN contracts creating or evidencing an extension of credit to the depositor) in the ordinary course of business;

(o) Liens consisting of any right of offset, or statutory bankers' lien, on bank deposit accounts maintained in the ordinary course of business so long as such bank deposit accounts are not established or maintained for the purpose of providing such right of offset or bankers' lien;

(p) Liens consisting of deposits of property to secure statutory obligations of Parent or any of its Subsidiaries in the ordinary course of its business;

(q) Liens consisting of deposits of property to secure (or in lieu of) surety, appeal or customs bonds in proceedings to which Parent or any of its Subsidiaries is a party in the ordinary course of business;

(r) Liens created by or resulting from any litigation or legal proceeding involving Parent or any of its Subsidiaries in the ordinary course of its business which is currently being contested in good faith by appropriate proceedings, PROVIDED that adequate reserves have been set aside and no material property is subject to a material risk of loss or forfeiture;

(s) precautionary UCC financing statement filings made in connection with operating leases and not constituting Liens; and

(t) other non-consensual Liens incurred in the ordinary course of business but not in connection with an extension of credit, which do not in the aggregate, when taken together with all other Liens, materially impair the value or use of the Property of Parent and its Subsidiaries, taken as a whole.

"PERMITTED RIGHT OF OTHERS" means a Right of Others consisting of (i) an interest (other than a legal or equitable co-ownership interest, an

option or right to

acquire a legal or equitable co-ownership interest and any interest of a ground lessor under a ground lease), that does not materially impair the value or use of Property for the purposes for which it is or may reasonably be expected to be held, (ii) an option or right to acquire a Lien that would be a Permitted Encumbrance, (iii) the subordination of a lease or sublease in favor of a financing entity and (iv) a license, or similar right, of or to Intangible Assets granted in the ordinary course of business.

"PERSON" means any entity, whether an individual, trustee, corporation, general partnership, limited partnership, joint stock company, trust, estate, unincorporated organization, business association, firm, joint venture, Governmental Agency, or otherwise.

"PRE-OPENING EXPENSES" means, with respect to any fiscal period, the amount of expenses (OTHER THAN Interest Expense) incurred with respect to capital projects which are classified as "pre-opening expenses" on the applicable financial statements of Parent and its Subsidiaries for such period, prepared in accordance with Generally Accepted Accounting Principles.

"PRICING ADJUSTMENT" means, during any Pricing Period, (a) if the Total Debt Ratio as of the last day of the Fiscal Quarter ending immediately prior to the commencement of such Pricing Period was greater than 3.75 to 1.00 but less than or equal to 4.25:1.00, an increase to the Eurodollar Margin of 7.5 basis points, (b) if the Total Debt Ratio as of the last day of the Fiscal Quarter ending immediately prior to the commencement of such Pricing Period was greater than 4.25:1.00, an increase to the Eurodollar Margin of 15.0 basis points, and (c) if the Total Debt Ratio as of the last day of the Fiscal Quarter ending immediately prior to the commencement of such Pricing Period was less than 2.00:1.00, a decrease to the Eurodollar Margin of 7.5 basis points.

"PRICING LEVEL" means, for each Pricing Period, the pricing level set forth below opposite the Debt Ratings as of the first day of that Pricing Period:

Moody's/S&P Rating Applicable Pricing Level
A-/A3 or higher
Pricing Level I
BBB+/Baa1
Pricing Level II
BBB/Baa2
Pricing Level III
BBB-/Baa3
Pricing Level IV
BB+/Ba1
Pricing Level V
BB/Ba2 or lower
Pricing Level VI

PROVIDED that if Moody's and S&P each assign Debt Ratings which are associated with different Pricing Levels in the matrix set forth above, then the applicable Pricing Level shall be the Pricing Level which is one Pricing Level higher than that associated with the lower of the two Debt Ratings.

"PRICING PERIOD" means (a) the period commencing on the Closing Date and ending on May 31, 2001, (b) each subsequent three month period commencing on each June 1, September 1, December 1 and March 1, and (c) any shorter period ending on the date upon which the Commitment is terminated.

"PROJECTIONS" means the financial projections contained in the Confidential Information Memorandum.

"PROPERTY" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"PRO RATA SHARE" means, with respect to each Lender, the percentage of the Commitment held by that Lender.

"QUARTERLY PAYMENT DATE" means each March 31, June 30, September 30 and December 31.

"RATING DECLINE" means the occurrence of a decrease in the Debt Rating by either Moody's or S&P to below Investment Grade on any date on or within 90 days after the date of the first public notice of (a) the occurrence of an event described in clauses (i)-(iv) of the definition of "Change in Control" or (b) the intention by any of the Parent or Borrowers to effect such an event (which 90-day period shall be extended so long as the Debt Rating is under publicly announced consideration for possible downgrade by Moody's or S&P).

"REAL PROPERTY" means, as of any date of determination, all real property then or theretofore owned, leased or occupied by Parent or any of its Subsidiaries.

"REFERENCE RATE" means the rate of interest publicly announced from time to time by Bank of America as its "reference rate" or the similar prime rate or reference rate announced by any successor Administrative Agent. Bank of America's reference rate is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in the Reference Rate announced by Bank of America or any successor Administrative Agent shall take effect at the opening of business on the day specified in the public announcement of such change.

"REGULATIONS D, T, U AND X" means Regulations D, T, U and X, as at any time amended, of the Board of Governors of the Federal Reserve System, or any other regulations in substance substituted therefor.

"REQUEST FOR LOAN" means a written request for a Loan substantially in the form of Exhibit F, signed by a Responsible Official of a Borrower, on behalf of that

Borrower, and properly completed to provide all information required to be included therein.

"REQUIREMENT OF LAW" means, as to any Person, the articles or certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any Law, or judgment, award, decree, writ or determination of a Governmental Agency, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

"REQUISITE LENDERS" means (a) as of any date of determination if the Commitment is then in effect, Lenders having in the aggregate 51% or more of the Commitment then in effect and (b) as of any date of determination if the Commitment has then been terminated, Lenders holding 51% of the aggregate principal amount of the outstanding Loans.

"RESPONSIBLE OFFICIAL" means when used with reference to a Person other than an individual, any corporate officer of such Person, general partner of such Person, corporate officer of a corporate general partner of such Person, or corporate officer of a corporate general partner of a partnership that is a general partner of such Person, or any other responsible official thereof duly acting on behalf thereof. Any document or certificate hereunder that is signed or executed by a Responsible

Official of another Person shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such other Person.

"RIGHT OF OTHERS" means, as to any Property in which a Person has an interest, any legal or equitable ownership right, title or other interest (other than a Lien) held by any other Person in that Property, and any option or right held by any other Person to acquire any such right, title or other interest in that Property, INCLUDING any option or right to acquire a Lien; PROVIDED, however, that (a) any covenant restricting the use or disposition of Property of such Person contained in any Contractual Obligation of such Person, (b) any provision contained in a contract creating a right of payment or performance in favor of a Person that conditions, limits, restricts, diminishes, transfers or terminates such right, and (c) any residual rights held by a lessor or vendor of Property, shall not be deemed to constitute a Right of Others.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., its successors and assigns.

"SALE AND LEASEBACK" means, with respect to any Person, the sale of Property owned by that Person (the "Seller") to another Person (the "Buyer"), together with the substantially concurrent leasing of such Property (or any portion thereof) by the Buyer to the Seller.

"SALE AND LEASEBACK OBLIGATION" means, with respect to any Sale and Leaseback and as of any date of determination, the present value of the aggregate

monetary obligations of the lessee under the lease of the Property which is the subject of such Sale and Leaseback (discounted at the interest rate implicit in such lease, compounded annually) for the then remaining term of such lease (treating all extension options exercisable by the lessor as having been exercised, but deeming the lease terminated as of the earliest date upon which the lessee has the option to do so); PROVIDED that such monetary obligations shall exclude amounts payable in respect of maintenance, repairs, insurance, taxes, assessments, utilities and similar charges.

"SENIOR OFFICER" means Parent's and each Borrower's (a) chief executive officer, (b) president, (c) chief financial officer, (d) treasurer, (e) vice presidents or (f) secretaries.

"SHOWBOAT" means Showboat, Inc., a Nevada corporation.

"SIGNIFICANT SUBSIDIARY" means, as of any date of determination, each Subsidiary of Parent that had on the last day of the Fiscal Quarter then most recently ended total assets (determined in accordance with Generally Accepted Accounting Principles) of $50,000,000 or more.

"SPECIAL EURODOLLAR CIRCUMSTANCE" means the application or adoption after the date hereof of any Law or interpretation, or any change therein or thereof, or any change in the interpretation or administration thereof by any Governmental Agency, central bank or comparable authority charged with the interpretation or administration thereof, or compliance by any Lender or its Eurodollar Lending Office with any request or directive (whether or not having the force of Law) of any such Governmental Agency, central bank or comparable authority, or the existence or occurrence of circumstances affecting the Designated Eurodollar Market generally that are beyond the reasonable control of the Lenders.

"SOLVENT" as to any Person shall mean that (a) the sum of the assets of such Person, both at a fair valuation and at present fair saleable value, exceeds its liabilities, including its probable liability in respect of contingent liabilities, (b) such Person will have sufficient capital with which to conduct its business as presently conducted and as proposed to be conducted and (c) such Person has not incurred debts, and does not intend to incur debts, beyond its ability to pay such debts as they mature. For purposes of this definition, "debt" means any liability on a claim, and "claim" means (x) a right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured, or (y) a right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured. With respect to any such contingent liabilities, such liabilities shall be computed at the

amount which, in light of all the facts and circumstances existing at the time, represents the amount which can reasonably be expected to become an actual or matured liability.

"SUBORDINATED DEBT" means (a) the Existing Subordinated Debt and (b) any other Indebtedness of Parent or the Company which is subordinated in right of payment to the Obligations pursuant to subordination provisions which are either (i) substantively no less favorable to the Lenders than the subordination provisions of the Existing Subordinated Debt, or (ii) otherwise are acceptable to the Requisite Lenders in the exercise of their sole discretion.

"SUBSIDIARY" means, as of any date of determination and with respect to any Person, any corporation or partnership (whether or not, in either case, characterized as such or as a "joint venture"), whether now existing or hereafter organized or acquired: (a) in the case of a corporation, of which a majority of the securities having ordinary voting power for the election of directors or other governing body (other than securities having such power only by reason of the happening of a contingency) are at the time beneficially owned by such Person and/or one or more Subsidiaries of such Person, or (b) in the case of a partnership, of which a majority of the partnership or other ownership interests having ordinary management power are at the time beneficially owned by such Person and/or one or more of its Subsidiaries.

"SYNDICATION AGENT" means Bankers Trust Company. Bankers Trust Company shall not have any additional rights, duties or obligations under this Agreement or the other Loan Documents by reason of its being a Syndication Agent.

"TOTAL DEBT" means, as of any date of determination, the SUM (without duplication) of (a) the outstanding principal Indebtedness of Parent and its Subsidiaries for borrowed money (INCLUDING debt securities issued by Parent or any of its Subsidiaries) on that date, PLUS (b) the aggregate amount of all Capital Lease Obligations of Parent and its Subsidiaries on that date, PLUS (c) all obligations in respect of letters of credit or other similar instruments for which Parent or any of its Subsidiaries are account parties or are otherwise obligated, PLUS (d) the aggregate amount of all Contingent Obligations and other similar contingent obligations of Parent and its Subsidiaries with respect to any of the foregoing, and PLUS (e) any obligations of Parent or any of its Subsidiaries to the extent that the same are secured by a Lien on any of the assets of Parent or its Subsidiaries. In computing "Total Debt," the amount of any Contingent Obligation or letter of credit shall be deemed to be zero unless and until (1) in the case of obligations in respect of letters of credit, a drawing is made with respect thereto, (2) in the case of any other Contingent Obligations, demand for payment is made with respect thereto, or (3) Parent's independent auditors have quantified the amount of Parent's and its Subsidiaries with respect to letters of credit and Contingent Obligations as liabilities on Parent's consolidated balance sheet in accordance with Generally Accepted Accounting Principles (as opposed to merely noted in the footnotes to any such balance sheet) and the amount of any such individual liability is in excess of $50,000,000, in which case the amount thereof shall be deemed to be the amount so quantified from time to time.

"TOTAL DEBT RATIO" means, as of the last day of any Fiscal Quarter, the RATIO OF (a) Total Debt on that date, to (b) EBITDA for the four Fiscal Quarter period ending on that date.

"TYPE", when used with respect to any Loan or Advance, means the designation of whether such Loan or Advance is a Base Rate Loan or Advance, or a Eurodollar Rate Loan or Advance.

"WHOLLY-OWNED SUBSIDIARY" means, as to any Person any other Person, 100% of whose capital stock, partnership interests, membership interests or other forms of equity ownership interest (other than directors qualifying shares and similar interests) is at the time owned, directly or indirectly, by such Person.

1.2 USE OF DEFINED TERMS. Any defined term used in the plural shall refer to all members of the relevant class, and any defined term used in the singular shall refer to any one or more of the members of the relevant class.

1.3 ACCOUNTING TERMS. All accounting terms not specifically defined in this Agreement shall be construed in conformity with, and all financial data required to be submitted by this Agreement shall be prepared in conformity with, Generally Accepted Accounting Principles applied on a consistent basis, EXCEPT as otherwise specifically prescribed herein. In the event that Generally Accepted Accounting Principles change during the term of this Agreement such that the covenants contained in Sections 6.5 and 6.6 would then be calculated in a different manner or with different components, (a) Parent, Borrowers and the Lenders agree to amend this Agreement in such respects as are necessary to conform those covenants as criteria for evaluating Parent's consolidated financial condition to substantially the same criteria as were effective prior to such change in Generally Accepted Accounting Principles and (b) Parent and Borrowers shall be deemed to be in compliance with the covenants contained in the aforesaid Sections during the 90 day period following any such change in Generally Accepted Accounting Principles if and to the extent that Parent and Borrowers would have been in compliance therewith under Generally Accepted Accounting Principles as in effect immediately prior to such change.

1.4 ROUNDING. Any financial ratios required to be maintained by Parent and Borrowers pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed in this Agreement and rounding the result up or down to the nearest number (with a round-up if there is no nearest number) to the number of places by which such ratio is expressed in this Agreement.

1.5 EXHIBITS AND SCHEDULES. All Exhibits and Schedules to this Agreement, either as originally existing or as the same may from time to time be supplemented, modified or amended, are incorporated herein by this reference. A matter disclosed on any Schedule shall be deemed disclosed on all Schedules.

1.6 MISCELLANEOUS TERMS. The term "or" is disjunctive; the term "and" is conjunctive. The term "shall" is mandatory; the term "may" is permissive. Masculine terms also apply to females; feminine terms also apply to males. The term "including" is by way of example and not limitation.

Article 2
LOANS AND LETTERS OF CREDIT

2.1 LOANS-GENERAL.

(a) Subject to the terms and conditions set forth in this Agreement, at any time and from time to time from the Closing Date through and including the Maturity Date, each Lender shall, pro rata according to that Lender's Pro Rata Share of the then applicable Commitment, make Advances in Dollars to Borrowers in such amounts as any Borrower may request PROVIDED that (a) giving effect to such Advances, the aggregate principal amount of the outstanding Loans shall not exceed the Commitment at any time, (b) without the consent of all of the Lenders, the aggregate principal amount of the outstanding Loans to Marina plus the outstanding principal amount of the loans outstanding to Marina under the Five Year Commitment shall not exceed Marina's Aggregate Sublimit at any time, and (c) without the consent of all of the Lenders, the aggregate principal amount of the outstanding Loans to each Borrower hereafter designated as such pursuant to Section 2.6 plus the outstanding principal amount of the loans outstanding to such Borrower under the Five Year Commitment shall not exceed that Borrower's Aggregate Sublimit at any time. Subject to the limitations set forth herein, each of the Borrowers may borrow, repay and reborrow under the Commitment without premium or penalty.

(b) Subject to the next sentence, each Loan shall be made pursuant to a Request for Loan executed by the relevant Borrower which shall specify the requested (i) date of such Loan, (ii) type of Loan, (iii) amount of such Loan, and (iv) in the case of a Eurodollar Rate Loan, the Eurodollar Period for such Loan. Unless the Administrative Agent has notified, in its sole and absolute discretion, Borrowers to the contrary, a Loan may be requested by telephone by a Responsible Official of any Borrower, in which case that Borrower shall confirm such request by promptly delivering a Request for Loan in person or by telecopier conforming to the preceding sentence to the Administrative Agent. The Administrative Agent shall incur no liability whatsoever hereunder in acting upon any telephonic request for loan purportedly made by a Responsible Official of a Borrower, and each Borrower hereby jointly and severally (but as between

Borrowers, ratably) agrees to indemnify the Administrative Agent from any loss, cost, expense or liability as a result of so acting.

(c) Promptly following receipt of a Request for Loan, the Administrative Agent shall notify each Lender by telephone or telecopier (and if by telephone, promptly confirmed by telecopier) of the identity of the relevant Borrower, the date and type of the Loan, the applicable Eurodollar Period, and that Lender's Pro Rata Share of the Loan. Not later than 11:00 a.m., California local time, on the date specified for any Loan (which must be a Business Day), each Lender shall make its Pro Rata Share of the Loan in immediately available funds available to the Administrative Agent at the Administrative Agent's Office. Upon satisfaction or waiver of the applicable conditions set forth in Article 8, all Advances

shall be credited on that date in immediately available funds to the Designated Deposit Account.

(d) Unless the Requisite Lenders otherwise consent, each Loan shall be an integral multiple of $1,000,000 and shall be not less than $10,000,000.

(e) The Advances made by each Lender to each Borrower shall be evidenced by a Note issued by that Borrower and made payable to that Lender.

(f) A Request for Loan shall be irrevocable upon the Administrative Agent's first notification thereof.

(g) If no Request for Loan (or telephonic request for loan referred to in the second sentence of Section 2.1(b), if applicable) has been made within the requisite notice periods set forth in Sections 2.2 or 2.3 in connection with a Loan which, if made and giving effect to the application of the proceeds thereof, would not increase the outstanding principal Indebtedness evidenced by the Notes of the relevant Borrower, then that Borrower shall be deemed to have requested, as of the date upon which the related then outstanding Loan is due pursuant to Section 3.1(e)(i), a Base Rate Loan in an amount equal to the amount necessary to cause the outstanding principal Indebtedness evidenced by its Notes to remain the same and the Lenders shall make the Advances necessary to make such Loan notwithstanding Sections 2.1(b), 2.2 and 2.3.

2.2 BASE RATE LOANS. Each request by a Borrower for a Base Rate Loan shall be made pursuant to a Request for Loan (or telephonic or other request for loan referred to in the second sentence of Section 2.1(b), if applicable) received by the Administrative Agent, at the Administrative Agent's Office, not later than 9:00 a.m. California local time, on the date (which must be a Business Day) of the requested Base Rate Loan. All Loans shall constitute Base Rate Loans unless properly designated as a Eurodollar Rate Loan pursuant to Section 2.3.

2.3 EURODOLLAR RATE LOANS.

(a) Each request by a Borrower for a Eurodollar Rate Loan shall be made pursuant to a Request for Loan (or telephonic or other request for loan referred to in the second sentence of Section 2.1(b), if applicable) received by the Administrative Agent, at the Administrative Agent's Office, not later than 9:00 a.m., California local time, at least three Eurodollar Business Days before the first day of the applicable Eurodollar Period.

(b) On the date which is two Eurodollar Business Days before the first day of the applicable Eurodollar Period, the Administrative Agent shall confirm its determination of the applicable Eurodollar Rate (which determination shall be conclusive in the absence of manifest error) and promptly shall give notice of the same to Borrowers and the Lenders by telephone or telecopier (and if by telephone, promptly confirmed by telecopier).

(c) Unless the Administrative Agent and the Requisite Lenders otherwise consent, no more than twenty Eurodollar Rate Loans shall be outstanding at any one time.

(d) No Eurodollar Rate Loan may be requested during the existence of a Default or Event of Default.

(e) No Lender shall be required to obtain the funds necessary to fund its Eurodollar Rate Advances in the Designated Eurodollar Market or from any other particular source of funds, rather each Lender shall be free to obtain

such funds from any legal source.

2.4 VOLUNTARY REDUCTION OF COMMITMENT. Borrowers shall have the right, at any time and from time to time, without penalty or charge, upon at least three Business Days prior written notice to the Administrative Agent, voluntarily to reduce or to terminate, permanently and irrevocably, in aggregate principal amounts in an integral multiple of $1,000,000 but not less than $10,000,000, all or a portion of the then undisbursed portion of the Commitment, PROVIDED that any such reduction or termination shall be accompanied by payment of all accrued and unpaid commitment fees with respect to the portion of the Commitment being reduced or terminated. The Administrative Agent shall promptly notify the Lenders of any reduction of the Commitment under this Section.

2.5 OPTIONAL TERMINATION OF COMMITMENT. Following the occurrence of a Change in Control, the Requisite Lenders may in their sole and absolute discretion elect, during the sixty day period immediately subsequent to the LATER OF (a) such occurrence and (b) the EARLIER of (i) receipt of Borrowers' written notice to the Administrative Agent of such occurrence and (ii) if no such notice has been received by the Administrative Agent, the date upon which the Administrative Agent and the Lenders have actual knowledge thereof, to terminate the Commitment. In any such case the Commitment shall be terminated effective on the date which is sixty days subsequent to the date of written notice from the Administrative Agent to Borrowers thereof, and to the extent that there are then any Obligations outstanding, the same shall be immediately due and payable.

2.6 ADDITIONAL BORROWERS. From time to time following the Closing Date and when no Default or Event of Default exists, Parent, Company and Marina (and each other Borrower then a party to this Agreement) may jointly designate one or more additional Wholly-Owned Subsidiaries as additional co-borrowers under this Agreement in accordance with the provisions of this Section. Prior to the effectiveness of any such designation each such additional Borrower shall have duly authorized, executed and delivered to the Administrative Agent each of the following:

(a) an Election to Become a Borrower, setting forth the proposed Aggregate Sublimit for that Borrower, together with such other documents, certificates, resolutions, opinions and other assurances as the Administrative Agent may reasonably require in connection therewith; and

(b) Notes;

Promptly following the submission of the foregoing documents, the Administrative Agent shall inform the Lenders of the proposed designation and the proposed Aggregate Sublimit. Unless the Requisite Lenders have objected in writing to the proposed designee or Aggregate Sublimit within ten Business Days following such notice from the Administrative Agent (which objection may be in the sole discretion of each Lender), the Administrative Agent shall notify the Borrowers that the appointment is accepted, whereupon the proposed new Borrower shall be a Borrower for all purposes of this Agreement, with the Aggregate Sublimit set forth in its Election to Become a Borrower.

2.7 ADMINISTRATIVE AGENT'S RIGHT TO ASSUME FUNDS AVAILABLE FOR ADVANCES. Unless the Administrative Agent shall have been notified by any Lender no later than the Business Day prior to the funding by the Administrative Agent of any Loan that such Lender does not intend to make available to the Administrative Agent such Lender's portion of the total amount of such Loan, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on the date of the Loan and the Administrative Agent may, in reliance upon such assumption, make available to the relevant Borrower a corresponding amount. If the Administrative Agent has made funds available to a Borrower based on such assumption and such corresponding amount is not in fact made available to the Administrative Agent by such Lender, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent promptly shall notify Borrowers and the relevant Borrower shall pay such corresponding amount to the Administrative Agent. The Administrative Agent also shall be entitled to recover from such Lender interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to that Borrower to the date such corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to the daily Federal Funds Rate. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its share of the Commitment or to prejudice any rights which the Administrative Agent or Borrowers may have against any Lender as a result of any default by such Lender hereunder.

2.8 EXTENSION OF THE MATURITY DATE. The Maturity Date may be extended for 364 day periods at the request of the Parent and with the written consent of all of the Lenders (which may be withheld in the sole and absolute discretion of each Lender) pursuant to this Section. Not earlier than sixty days prior to the then effective Maturity Date, but not later than forty days prior to such Maturity Date, the Parent and the Borrowers may deliver to the Administrative Agent and the Lenders a written request for a 364 day extension of the Maturity Date together with a Certificate of a Responsible Official signed by a Senior Officer on behalf of Parent and each Borrower stating that the representations and warranties contained in Article 4 (OTHER THAN (i) representations and warranties which expressly speak as of a particular date or are no longer true and correct as a result of a change which is not a violation of this Agreement, (ii) as otherwise disclosed by the Parent and the Borrowers and approved in writing by the Requisite Lenders and (iii) Sections 4.4(a), 4.6 (first sentence), and 4.15) shall be true and correct on and as of the date of such Certificate. Each Lender shall

notify the Administrative Agent within thirty days (but not sooner than 45 days prior to the Maturity Date) following its receipt of such a Certificate whether (in its sole and absolute discretion) it consents to such request and the Administrative Agent shall, after receiving the notifications from all of the Lenders or the expiration of such period, whichever is earlier, notify Parent and the Borrowers and the Lenders of the results thereof. If all of the Lenders have consented, then the Maturity Date shall, effective on the then-current Maturity Date be extended for 364 days from the then current Maturity Date.

If Lenders holding at least 66 2/3% of the Commitment consent to the request for extension, but one or more Lenders (each a "Non-Consenting Lender") notify the Administrative Agent that it will not consent to the request for extension (or fail to notify the Managing Agent in writing of its consent within the required period), Parent and the Borrowers may (i) cause such Non-Consenting Lender to be removed as a Lender under this Agreement pursuant to Section 11.14(a), (ii) voluntarily terminate the Pro Rata Share of Non-Consenting Lender in accordance with Section 11.14(b), or (iii) utilize a combination of the procedures described in clauses (i) and (ii) of this Section. If such removal is accomplished by assignment to an Eligible Assignee which has consented to the requested extension, then the request for extension shall be granted with the effect as set forth above. If such removal is accomplished by a voluntary reduction of the Commitment, then the Administrative Agent shall notify all of the Lenders in writing thereof.

2.9 VOLUNTARY INCREASE TO THE COMMITMENT.

(a) Provided that no Default or Event of Default then exists, at any time and from time to time following the Closing Date, Parent and the Borrowers may, upon at least 5 days notice to the Administrative Agent (which shall promptly provide a copy of such notice to the Lenders), propose to increase the aggregate amount of the Commitment to an amount not to exceed $375,000,000 (the amount of any such increase of the Commitment being referred to as the "Increased Commitment").

(b) Parent and the Borrowers may designate any Person which is reasonably acceptable to the Administrative Agent and which qualifies as an Eligible Assignee (which may be, but need not be, one or more of the existing Lenders) which at the time agrees to assume a portion of the Increased Commitment and (i) in the case of any such Person that is an existing Lender, increase its Commitment and (ii) in the case of any other such Person (an "Additional Lender"), become a party to this Agreement.

(c) An increase in the aggregate amount of the Commitment pursuant to this Section shall become effective upon the receipt by the Administrative Agent of an agreement in form and substance satisfactory to the Administrative Agent signed by the Parent and the Borrowers, by each Additional Lender and by each other Lender whose Commitment is to be increased, setting forth the new Commitments of such Lenders and setting forth the agreement of each Additional Lender to become a party to this Agreement and to be bound by all the terms and provisions hereof, together

with such evidence of appropriate corporate authorization on the part of Parent and the Borrowers and the Additional Lenders with respect to the Increased Commitments as the Administrative Agent may reasonably request.

(d) No Lender shall have any obligation to increase its Pro Rata

Share of the Commitment, and any decision to increase its Pro Rata Share shall be in its sole discretion.

Article 3
PAYMENTS AND FEES

3.1 PRINCIPAL AND INTEREST.

(a) Interest shall be payable on the outstanding daily unpaid principal amount of each Advance from the date thereof until payment in full is made and shall accrue and be payable at the rates set forth or provided for herein before and after default, before and after maturity, before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law, with interest on overdue interest to bear interest at the Default Rate to the fullest extent permitted by applicable Laws.

(b) Interest accrued on each Base Rate Loan on each Quarterly Payment Date, and on the date of any prepayment of the Notes pursuant to Section 3.1(f), shall be due and payable on that day. EXCEPT as otherwise provided in Section 3.9, the unpaid principal amount of any Base Rate Loan shall bear interest at a fluctuating rate per annum equal to the Base Rate. Each change in the interest rate under this Section 3.1(b) due to a change in the Base Rate shall take effect simultaneously with the corresponding change in the Base Rate.

(c) Interest accrued on each Eurodollar Rate Loan having a Eurodollar Period of three months or less shall be due and payable on the last day of the related Eurodollar Period. Interest accrued on each other Eurodollar Rate Loan shall be due and payable on the date which is three months after the date such Eurodollar Rate Loan was made (and, in the event that all of the Lenders have approved a Eurodollar Period of longer than 6 months, every three months thereafter through the last day of the Eurodollar Period) and on the last day of the related Eurodollar Period. EXCEPT as otherwise provided in Sections 3.1(d) and 3.8, the unpaid principal amount of any Eurodollar Rate Loan shall bear interest at a rate per annum equal to the Eurodollar Rate for that Eurodollar Rate Loan PLUS the Eurodollar Margin.

(d) During the existence of a Default or Event of Default, the Requisite Lenders may determine that any or all then outstanding Eurodollar Rate Loans shall be converted to Base Rate Loans. Such conversion shall be effective upon notice to Borrowers from the Requisite Lenders (or from the Administrative Agent on behalf of the Requisite Lenders) and shall continue so long as such Default or Event of Default continues to exist.

(e) If not sooner paid, the principal Indebtedness evidenced by the Notes shall be payable as follows:

(i) the principal amount of each Eurodollar Rate Loan shall be payable on the last day of the Eurodollar Period for such Loan;

(ii) the amount, if any, by which the aggregate principal amount of the outstanding Loans at any time exceed the Commitment shall be payable immediately, and shall be applied to the Notes; and

(iii) the principal Indebtedness evidenced by the Notes shall in any event be payable on the Maturity Date.

(f) The Notes may, at any time and from time to time, voluntarily be paid or prepaid in whole or in part without premium or penalty, EXCEPT that with respect to any voluntary prepayment under this Section 3.1(f), (i) any partial prepayment shall be in an integral multiple of $1,000,000 but not less than $10,000,000, (ii) the Administrative Agent shall have received written notice of any prepayment by 9:00 a.m., California local time on a Business Day on the date of prepayment in the case of a Base Rate Loan, and three Business Days, in the case of a Eurodollar Rate Loan, before the date of prepayment, which notice shall identify the date and amount of the prepayment and the Loan(s) being prepaid, (iii) each prepayment of principal shall be accompanied by payment of interest accrued to the date of payment on the amount of principal paid and (iv) any payment or prepayment of all or any part of any Eurodollar Rate Loan on a day other than the last day of the applicable Eurodollar Period shall be subject to Section 3.7(d).

3.2 ARRANGEMENT FEE. On the Closing Date, Parent and the Borrowers shall pay to the Administrative Agent, for the sole account of the Arranger, an arrangement fee in the amount heretofore agreed upon by letter agreement among Parent, the Borrowers and the Arranger. Such arrangement fee is for the services of the Arranger in arranging the credit facilities under this Agreement and is fully earned when paid. The arrangement fee is earned as of the date hereof and is nonrefundable.

3.3 UPFRONT FEES. On the Closing Date, Parent and the Borrowers shall pay to the Administrative Agent, for the respective accounts of the Lenders, upfront fees in the respective amounts set forth in a writing addressed to that Lender by the Lead Arranger Such fees are for the credit facility committed by each Lender under this Agreement and are fully earned when paid. The upfront fees paid to each Lender are solely for its own account and are nonrefundable.

3.4 FACILITY FEES. On the last day of each Pricing Period, Borrowers shall pay to the Administrative Agent, for the respective accounts of the Lenders, pro rata according to their Pro Rata Share, a facility fee equal to (a) the Facility Fee Rate per annum for that Pricing Period TIMES (b) the average daily amount by of the Commitment (whether drawn or undrawn) during that Pricing Period.

3.5 AGENCY FEES. Borrowers shall pay to the Administrative Agent an agency fee in such amounts and at such times as heretofore agreed upon by letter agreement among Parent, the Borrowers and the Administrative Agent. The agency fee is for the services to be performed by the Administrative Agent in acting as Administrative Agent and is fully earned

on the date paid. The agency fee paid to the Administrative Agent is solely for its own account and is nonrefundable.

3.6 INCREASED COMMITMENT COSTS. If any Lender shall determine that the introduction after the Closing Date of any applicable law, rule, regulation or guideline regarding capital adequacy, or any change therein or any change in the interpretation or administration thereof by any central bank or other Governmental Agency charged with the interpretation or administration thereof, or compliance by such Lender (or its Eurodollar Lending Office) or any corporation controlling the Lender, with any request, guidelines or directive regarding capital adequacy (whether or not having the force of law) of any such central bank or other authority, affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy and such Lender's desired return on capital) determines that the amount of such capital is increased, or the rate of return on capital is reduced, as a consequence of its obligations under this Agreement, then such Lender shall promptly give notice to the Borrowers and the Agent of such determination. Thereafter, the Borrowers shall pay to such Lender, within five Business Days following written demand therefor (setting forth the additional amounts owed to such Lender and the basis of the calculation thereof in reasonable detail), additional amounts sufficient to compensate such Lender in light of such circumstances, to the extent reasonably allocable to such obligations under this Agreement. Each Lender shall afford treatment to Borrowers under this Section which is substantially similar to that which such Lender affords to its other similarly situated customers.

3.7 EURODOLLAR COSTS AND RELATED MATTERS.

(a) If, after the date hereof, the existence or occurrence of any Special Eurodollar Circumstance shall:

(1) subject any Lender or its Eurodollar Lending Office to any tax, duty or other charge or cost with respect to any Eurodollar Rate Advance, its Notes or its obligation to make Eurodollar Rate Advances, or shall change the basis of taxation of payments to any Lender of the principal of or interest on any Eurodollar Rate Advance or any other amounts due under this Agreement in respect of any Eurodollar Rate Advance, its Notes or its obligation to make Eurodollar Rate Advances, EXCLUDING, with respect to each Creditor, and any Affiliate or Eurodollar Lending Office thereof, (i) taxes imposed on or measured in whole or in part by its net income or capital and franchise taxes imposed on it, (ii) any withholding taxes or other taxes based on net income (other than withholding taxes and taxes based on net income resulting from or attributable to any change in any law, rule or regulation or any change in the interpretation or administration of any law, rule or regulation by any Governmental Agency) or (iii) any withholding

taxes or other taxes based on net income for any period with respect to which it has failed to

provide Borrowers with the appropriate form or forms required by Section 11.21, to the extent such forms are then required by applicable Laws;

(2) impose, modify or deem applicable any reserve not applicable or deemed applicable on the date hereof (INCLUDING, without limitation, any reserve imposed by the Board of Governors of the Federal Reserve System, BUT EXCLUDING the Eurodollar Reserve Percentage taken into account in calculating the Eurodollar Rate), special deposit, capital or similar requirements against assets of, deposits with or for the account of, or credit extended by, any Lender or its Eurodollar Lending Office; or

(3) impose on any Lender or its Eurodollar Lending Office or the Designated Eurodollar Market any other condition materially affecting any Eurodollar Rate Advance, its Notes, its obligation to make Eurodollar Rate Advances or this Agreement, or shall otherwise materially affect any of the same;

and the result of any of the foregoing, as determined by such Lender, increases the cost to such Lender or its Eurodollar Lending Office of making or maintaining any Eurodollar Rate Advance or in respect of any Eurodollar Rate Advance, its Notes or its obligation to make Eurodollar Rate Advances or reduces the amount of any sum received or receivable by such Lender or its Eurodollar Lending Office with respect to any Eurodollar Rate Advance, its Notes or its obligation to make Eurodollar Rate Advances (assuming such Lender's Eurodollar Lending Office had funded 100% of its Eurodollar Rate Advance in the Designated Eurodollar Market), then, PROVIDED THAT such Lender makes demand upon Borrowers (with a copy to the Administrative Agent) within 90 days following the date upon which it becomes aware of any such event or circumstance, Borrowers shall within five Business Days pay to such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction (determined as though such Lender's Eurodollar Lending Office had funded 100% of its Eurodollar Rate Advance in the Designated Eurodollar Market). Each of the Borrowers hereby jointly and severally (but as between Borrowers, ratably) indemnifies each Lender against, and agrees to hold each Lender harmless from and reimburse such Lender within five Business Days after demand for (without duplication) all costs, expenses, claims, penalties, liabilities, losses, legal fees and damages incurred or sustained by each Lender in connection with this Agreement, or any of the rights, obligations or transactions provided for or contemplated herein, as a result of the existence or occurrence of any Special Eurodollar Circumstance. A statement of any Lender claiming compensation under this clause and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. Each Lender agrees to endeavor promptly to notify Borrowers of any event of which it has actual knowledge, occurring after the Closing Date, which will entitle such Lender to compensation pursuant to this Section and agrees to designate a different Eurodollar Lending Office if such designation will avoid the need for or reduce the amount of such compensation and will not, in the judgment of such Lender, otherwise be materially disadvantageous to such Lender. If any Lender claims compensation under this Section, Borrowers may at any time, upon at least

four Eurodollar Business Days' prior notice to the Administrative Agent and such Lender and upon payment in full of the amounts provided for in this Section through the date of such payment PLUS any prepayment fee required by Section 3.7(d), pay in full the affected Eurodollar Rate Advances of such Lender or request that such Eurodollar Rate Advances be converted to Base Rate Advances. To the extent that any Lender which receives any payment from Borrowers under this Section later receives any funds which are identifiable as a reimbursement or rebate of such amount from any other Person, such Lender shall promptly refund such amount to Borrowers.

(b) If the existence or occurrence of any Special Eurodollar Circumstance shall, in the opinion of any Lender, make it unlawful, impossible or impracticable for such Lender or its Eurodollar Lending Office to make, maintain or fund its portion of any Eurodollar Rate Loan, or materially restrict the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the Designated Eurodollar Market, or to determine or charge interest rates based upon the Eurodollar Rate, and such Lender shall so notify the Administrative Agent, then such Lender's obligation to make Eurodollar Rate

Advances shall be suspended for the duration of such illegality, impossibility or impracticability and the Administrative Agent forthwith shall give notice thereof to the other Lenders and Borrowers. Upon receipt of such notice, the outstanding principal amount of such Lender's Eurodollar Rate Advances, together with accrued interest thereon, automatically shall be converted to Base Rate Advances on either (1) the last day of the Eurodollar Period(s) applicable to such Eurodollar Rate Advances if such Lender may lawfully continue to maintain and fund such Eurodollar Rate Advances to such day(s) or (2) immediately if such Lender may not lawfully continue to fund and maintain such Eurodollar Rate Advances to such day(s), PROVIDED that in such event the conversion shall not be subject to payment of a prepayment fee under Section 3.7(d). Each Lender agrees to endeavor promptly to notify Borrowers of any event of which it has actual knowledge, occurring after the Closing Date, which will cause that Lender to notify the Administrative Agent under this Section 3.7(b), and agrees to designate a different Eurodollar Lending Office if such designation will avoid the need for such notice and will not, in the judgment of such Lender, otherwise be disadvantageous to such Lender. In the event that any Lender is unable, for the reasons set forth above, to make, maintain or fund its portion of any Eurodollar Rate Loan, such Lender shall fund such amount as a Base Rate Advance for the same period of time, and such amount shall be treated in all respects as a Base Rate Advance. Any Lender whose obligation to make Eurodollar Rate Advances has been suspended under this Section 3.7(b) shall promptly notify the Administrative Agent and Borrowers of the cessation of the Special Eurodollar Circumstance which gave rise to such suspension.

(c) If, with respect to any proposed Eurodollar Rate Loan:

(1) the Administrative Agent reasonably determines that, by reason of circumstances affecting the Designated Eurodollar Market generally that are beyond the reasonable control of the Lenders, deposits in Dollars (in the applicable amounts) are not being offered to any Lender in the Designated Eurodollar Market for the applicable Eurodollar Period; or

(2) the Requisite Lenders advise the Administrative Agent that the Eurodollar Rate as determined by the Administrative Agent (i) does not represent the effective pricing to such Lenders for deposits in Dollars in the Designated Eurodollar Market in the relevant amount for the applicable Eurodollar Period, or (ii) will not adequately and fairly reflect the cost to such Lenders of making the applicable Eurodollar Rate Advances;

then the Administrative Agent forthwith shall give notice thereof to Borrowers and the Lenders, whereupon until the Administrative Agent notifies Borrowers that the circumstances giving rise to such suspension no longer exist, the obligation of the Lenders to make any future Eurodollar Rate Advances shall be suspended. If at the time of such notice there is then pending a Request for Loan that specifies a Eurodollar Rate Loan, such Request for Loan shall be deemed to specify a Base Rate Loan.

(d) Upon payment or prepayment of any Eurodollar Rate Advance, (OTHER THAN as the result of a conversion required under Section 3.1(d) or 3.7(b)), on a day other than the last day in the applicable Eurodollar Period (whether voluntarily, involuntarily, by reason of acceleration, or otherwise), or upon the failure of any Borrower (for a reason other than the failure of a Lender to make an Advance) to borrow on the date or in the amount specified for a Eurodollar Rate Loan in any Request for Loan, Borrowers shall pay to the appropriate Lender within five Business Days after demand a prepayment fee or failure to borrow fee, as the case may be, (determined as though 100% of the Eurodollar Rate Advance had been funded in the Designated Eurodollar Market) equal to the SUM of:

(1) principal amount of the Eurodollar Rate Advance prepaid or not borrowed, as the case may be, TIMES the quotient of (A) the number of days between the date of prepayment or failure to borrow, as applicable, and the last day in the applicable Eurodollar Period, DIVIDED BY (B) 360, TIMES the applicable Interest Differential (PROVIDED that the product of the foregoing formula must be a positive number); PLUS

(2) all out-of-pocket expenses incurred by the Lender reasonably attributable to such payment, prepayment or failure to borrow.

Each Lender's determination of the amount of any prepayment fee payable under this Section 3.7(d) shall be conclusive in the absence of manifest error.

3.8 DEFAULT RATE. If (a) any installment of principal or interest or any fee or cost or other amount payable under any Loan Document to any Creditor is not paid when due, then such overdue Obligations shall, or (b) if any Event

of Default has occurred and remains continuing, then at the option of the Requisite Lenders, all of the Obligations shall, thereafter bear interest at a fluctuating interest rate per annum at all times equal to the sum of the Base Rate PLUS 2%, to the fullest extent permitted by applicable Laws. Accrued and unpaid interest on past due amounts (INCLUDING, without limitation, interest on past due interest) shall be

compounded monthly, on the last day of each calendar month, to the fullest extent permitted by applicable Laws.

3.9 COMPUTATION OF INTEREST AND FEES. Computation of interest on Base Rate Loans calculated with reference to the Reference Rate shall be calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed; computation of interest on Base Rate Loans calculated by reference to the Federal Funds Rate, and on Eurodollar Rate Loans and all fees under this Agreement shall be calculated on the basis of a year of 360 days and the actual number of days elapsed. Each Borrower acknowledges that such latter calculation method will result in a higher yield to the Lenders than a method based on a year of 365 or 366 days. Interest shall accrue on each Loan for the day on which the Loan is made; interest shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid. Any Loan that is repaid on the same day on which it is made shall bear interest for one day.

3.10 NON-BUSINESS DAYS. Subject to clause (b) of the definition of "Eurodollar Period," if any payment to be made by Borrowers or any other Party under any Loan Document shall come due on a day other than a Business Day, payment shall instead be considered due on the next succeeding Business Day and the extension of time shall be reflected in computing interest and fees.

3.11 MANNER AND TREATMENT OF PAYMENTS.

(a) Each payment hereunder (EXCEPT payments pursuant to Sections 3.6, 3.7, 11.3, and 11.10) or on the Notes or under any other Loan Document shall be made without setoff, counterclaim, recoupment or other deduction of any kind to the Administrative Agent, at the Administrative Agent's Office, for the account of each of the Lenders or the Administrative Agent, as the case may be, in immediately available funds not later than 11:00 a.m., California local time, on the day of payment (which must be a Business Day). All payments received after these deadlines shall be deemed received on the next succeeding Business Day. The amount of all payments received by the Administrative Agent for the account of each Lender shall be immediately paid by the Administrative Agent to the applicable Lender in immediately available funds and, if such payment was received by the Administrative Agent by 11:00 a.m., California local time, on a Business Day and not so made available to the account of a Lender on that Business Day, the Administrative Agent shall reimburse that Lender for the cost to such Lender of funding the amount of such payment at the Federal Funds Rate. All payments shall be made in lawful money of the United States of America.

(b) Each payment or prepayment on account of any Loan shall be applied pro rata according to the outstanding Advances made by each Lender comprising such Loan.

(c) Each Lender shall use its best efforts to keep a record of Advances made by it and payments received by it with respect to each of its Notes and, subject to Section 10.6(g), such record shall, as against Borrowers, be presumptive evidence absent

manifest error of the amounts owing. Notwithstanding the foregoing sentence, no Lender shall be liable to any Party for any failure to keep such a record.

(d) Each payment of any amount payable by Borrowers or any other Party under this Agreement or any other Loan Document shall be made free and clear of, and without reduction by reason of, any taxes, assessments or other charges imposed by any Governmental Agency, central bank or comparable authority, EXCLUDING, in the case of each Creditor, and any Affiliate or Eurodollar Lending Office thereof, (i) taxes imposed on or measured in whole or in part by its net income and franchise taxes imposed on it, (ii) any withholding taxes or other taxes based on net income (other than withholding taxes and taxes based on net income resulting from or attributable to any change in any law, rule or regulation or any change in the interpretation or administration of any law, rule or regulation by any Governmental Agency) or (iii) any withholding taxes or other taxes based on net income for any period

with respect to which it has failed to provide Borrowers with the appropriate form or forms required by Section 11.21, to the extent such forms are then required by applicable Laws, (all such non-excluded taxes, assessments or other charges being hereinafter referred to as "Taxes"). To the extent that Parent or any Borrower is obligated by applicable Laws to make any deduction or withholding on account of Taxes from any amount payable to any Lender under this Agreement, Parent or that Borrower shall (i) make such deduction or withholding and pay the same to the relevant Governmental Agency and (ii) pay such additional amount to that Lender as is necessary to result in that Lender's receiving a net after-Tax amount equal to the amount to which that Lender would have been entitled under this Agreement absent such deduction or withholding. If and when receipt of such payment results in an excess payment or credit to that Lender on account of such Taxes, that Lender shall promptly refund such excess to Parent or the appropriate Borrower.

3.12 FUNDING SOURCES. Nothing in this Agreement shall be deemed to obligate any Lender to obtain the funds for any Loan or Advance in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan or Advance in any particular place or manner.

3.13 FAILURE TO CHARGE NOT SUBSEQUENT WAIVER. Any decision by the Creditors not to require payment of any interest (INCLUDING interest arising under Section 3.8), fee, cost or other amount payable under any Loan Document, or to calculate any amount payable by a particular method, on any occasion shall in no way limit or be deemed a waiver of the Creditor's right to require full payment of any interest (INCLUDING interest arising under Section 3.8), fee, cost or other amount payable under any Loan Document on any other or subsequent occasion.

3.14 ADMINISTRATIVE AGENT'S RIGHT TO ASSUME PAYMENTS WILL BE MADE BY BORROWERS. Unless the Administrative Agent shall have been notified by Borrowers prior to the date on which any payment to be made by Borrowers hereunder is due that Borrowers do not intend to remit such payment, the Administrative Agent may, in its discretion, assume that the appropriate Borrower has remitted such payment when so due and the Administrative Agent may, in its discretion and in reliance upon such assumption, make available to each Lender on

such payment date an amount equal to such Lender's share of such assumed payment. If that Borrower has not in fact remitted such payment to the Administrative Agent, each Lender shall forthwith on demand repay to the Administrative Agent the amount of such assumed payment made available to such Lender, together with interest thereon in respect of each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent at the Federal Funds Rate.

3.15 FEE DETERMINATION DETAIL. Each Creditor shall provide reasonable detail to Parent and the Borrowers regarding the manner in which the amount of any payment to that Creditor under Article 3 has been determined, concurrently with demand for such payment.

3.16 SURVIVABILITY. All of the Parent's and the Borrowers' obligations under Sections 3.6 and 3.7 shall survive for ninety days following the date on which the Commitment is terminated and all Loans hereunder are fully paid.

Article 4
REPRESENTATIONS AND WARRANTIES

Parent and each Borrower represents and warrants to the Creditors, as of the date hereof, as of the Closing Date, and as of the date of the making of each Advance that:

4.1 EXISTENCE AND QUALIFICATION; POWER; COMPLIANCE WITH LAWS. Parent and each of the Borrowers are duly formed, validly existing and in good standing under the Laws of its jurisdiction of formation. Parent and each of the Borrowers are duly qualified or registered to transact business and is in good standing in each other jurisdiction in which the conduct of its business or the ownership or leasing of its Properties makes such qualification or registration

necessary, EXCEPT where the failure so to qualify or register and to be in good standing would not constitute a Material Adverse Effect. Parent and each of the Borrowers have all requisite corporate or partnership power (as applicable) and authority to conduct their respective business, to own and lease their respective Properties and to execute and deliver each Loan Document to which it is a Party and to perform its Obligations. All outstanding shares of capital stock of Parent and each of the Borrowers are duly authorized, validly issued, fully paid, and non-assessable and no holder thereof has any enforceable right of rescission under any applicable state or federal securities Laws. Parent and each of the Borrowers are in compliance with all Laws and other legal requirements applicable to their respective business, have obtained all authorizations, consents, approvals, orders, licenses and permits from, and have accomplished all filings, registrations and qualifications with, or obtained exemptions from any of the foregoing from, any Governmental Agency that are necessary for the transaction of their business, EXCEPT where the failure so to comply, file, register, qualify or obtain exemptions does not constitute a Material Adverse Effect.

4.2 AUTHORITY; COMPLIANCE WITH OTHER AGREEMENTS AND INSTRUMENTS AND GOVERNMENT REGULATIONS. The execution, delivery and performance by Parent and each Borrower of the Loan Documents to which it is a Party have been duly authorized by all necessary corporate or partnership action, as applicable, and do not and will not:

(a) Require any consent or approval not heretofore obtained of any partner, director, stockholder, security holder or creditor of such Party;

(b) Violate or conflict with any provision of such Party's charter, articles of incorporation or bylaws, as applicable;

(c) Result in or require the creation or imposition of any Lien or Right of Others upon or with respect to any Property now owned or leased or hereafter acquired by such Party;

(d) Violate any Requirement of Law applicable to such Party, subject to obtaining the authorizations from, or filings with, the Governmental Agencies described in Schedule 4.3;

(e) Result in a breach by such Party of or constitute a default by such Party under, or cause or permit the acceleration of any obligation owed under, any indenture or loan or credit agreement or any other Contractual Obligation to which such Party is a party or by which such Party or any of its Property is bound or affected;

and neither Parent, Borrowers nor any of their Significant Subsidiaries is in violation of, or default under, any Requirement of Law or Contractual Obligation, or any indenture, loan or credit agreement described in Section 4.2(e), in any respect that constitutes a Material Adverse Effect.

4.3 NO GOVERNMENTAL APPROVALS REQUIRED. EXCEPT as set forth in Schedule 4.3 or previously obtained or made, no authorization, consent, approval, order, license or permit from, or filing, registration or qualification with, any Governmental Agency is or will be required to authorize or permit under applicable Laws the execution, delivery and performance by Parent, Borrowers of the Loan Documents to which any of them is a Party. All authorizations from, or filings with, any Governmental Agency described in Schedule 4.3 will be accomplished as of the Closing Date or such other date as is specified in Schedule 4.3.

4.4 SIGNIFICANT SUBSIDIARIES.

(a) Schedule 4.4 hereto correctly sets forth the names, form of legal entity, percentage of shares of each class of capital stock issued and outstanding, percentage of shares owned by Parent or a Significant Subsidiary (specifying such owner) and jurisdictions of organization of each of the Significant Subsidiaries of Parent. Unless otherwise indicated in Schedule 4.4, as of the Closing Date all of the outstanding shares of capital stock, or all of the units of equity interest, as the case may be, of each such Significant Subsidiary are owned of record and beneficially by the Persons described therein, there are no outstanding options, warrants or other rights to purchase capital stock of any such Significant Subsidiary, and all such shares or equity interests so owned are duly authorized, validly issued, fully paid, non-assessable, and were issued in compliance with all applicable state and federal securities and other Laws, and are free and clear of all Liens and Rights of Others, EXCEPT for Permitted Encumbrances and Permitted Rights of Others.

(b) Each Significant Subsidiary of Parent is duly formed, validly existing and in good standing under the Laws of its jurisdiction of organization, is duly qualified to do business as a foreign organization and is in good standing as such in each jurisdiction in which the conduct of its business or the ownership or leasing of its properties makes such qualification necessary (EXCEPT where the failure to be so duly qualified and in good standing does not constitute a Material Adverse Effect), and has all requisite power and authority to conduct its business and to own and lease its Properties.

(c) Each Subsidiary of Parent is in compliance with all Laws and other requirements applicable to its business and has obtained all authorizations, consents, approvals, orders, licenses, and permits from, and each such Subsidiary has accomplished all

filings, registrations, and qualifications with, or obtained exemptions from any of the foregoing from, any Governmental Agency that are necessary for the transaction of its business, EXCEPT where the failure to be in such compliance, obtain such authorizations, consents, approvals, orders, licenses, and permits, accomplish such filings, registrations, and qualifications, or obtain such exemptions, does not constitute a Material Adverse Effect.

4.5 FINANCIAL STATEMENTS. Parent and Borrowers have furnished to the Lenders the audited consolidated financial statements of Parent and its Subsidiaries for the Fiscal Year ended December 31, 2000. The financial statements described above fairly present in all material respects the financial condition, results of operations and changes in financial position of Parent and its Subsidiaries as of such dates and for such periods, in conformity with Generally Accepted Accounting Principles, consistently applied.

4.6 NO OTHER LIABILITIES; NO MATERIAL ADVERSE EFFECT. As of the Closing Date, Parent and its Subsidiaries do not have any material liability or material contingent liability not reflected or disclosed in the financial statements described in Section 4.5, other than liabilities and contingent liabilities arising in the ordinary course of business since the date of such financial statements. As of the Closing Date, no circumstance or event has occurred that constitutes a Material Adverse Effect since December 31, 2000.

4.7 TITLE TO PROPERTY. Parent and its Subsidiaries have valid title to the Property reflected in the financial statements described in Section 4.5, other than immaterial items of Property and Property subsequently sold or disposed of in the ordinary course of business, free and clear of all Liens and Rights of Others, OTHER THAN Liens or Rights of Others described in Schedule 4.7, as permitted by Section 6.4, and any other matters which do not have a Material Adverse Effect.

4.8 LITIGATION. There are no actions, suits, proceedings or investigations pending as to which Parent or any of its Subsidiaries have been served or have received notice or, to the knowledge of Parent and the Borrowers, threatened against or affecting Parent or any of its Subsidiaries or any Property of any of them before any Governmental Agency in which there is any reasonable possibility of an adverse decision which could materially adversely affect the business, consolidated financial position or results of operations of Parent and its Subsidiaries, taken as a whole, or which in any manner draws into question the validity or enforceability of the Loan Documents.

4.9 BINDING OBLIGATIONS. Each of the Loan Documents will, when executed and delivered by Parent and the Borrowers party thereto, constitute the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, EXCEPT as enforcement may be limited by Debtor Relief Laws or equitable principles relating to the granting of specific performance and other equitable remedies as a matter of judicial discretion.

4.10 NO DEFAULT. No event has occurred and is continuing that is a Default or Event of Default.

4.11 ERISA.

(a) With respect to each Pension Plan:

(i) such Pension Plan complies in all material respects with ERISA and any other applicable Laws to the extent that noncompliance could reasonably be expected to have a Material Adverse Effect;

(ii) such Pension Plan has not incurred any "accumulated funding deficiency" (as defined in Section 302 of ERISA) that could reasonably be expected to have a Material Adverse Effect;

(iii) no "reportable event" (as defined in Section 4043 of ERISA) has occurred that could reasonably be expected to have a Material Adverse Effect; and

(iv) neither Parent nor any of its Subsidiaries has engaged in any non-exempt "prohibited transaction" (as defined in Section 4975 of the Code) that could reasonably be expected to have a Material Adverse Effect.

(b) Neither Parent nor any of its Subsidiaries has incurred or expects to incur any withdrawal liability to any Multiemployer Plan that could reasonably be expected to have a Material Adverse Effect.

4.12 REGULATIONS T, U AND X; INVESTMENT COMPANY ACT. No part of the proceeds of any Loan hereunder will be used to purchase or carry, or to extend credit to others for the purpose of purchasing or carrying, any Margin Stock in violation of Regulations T, U or X. Neither Parent nor any of its Subsidiaries is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

4.13 DISCLOSURE. No written statement made by a Senior Officer of Parent or any Borrower to any Creditor in connection with this Agreement, including without limitation the statements made in the Confidential Offering Memorandum, or in connection with any Loan, Advance as of the date thereof contained any untrue statement of a material fact or omitted a material fact necessary to make the statement made not misleading in light of all the circumstances existing at the date the statement was made.

4.14 TAX LIABILITY. Parent and its Subsidiaries have filed all tax returns which are required to be filed, and have paid, or made provision for the payment of, all taxes with respect to the periods, Property or transactions covered by said returns, or pursuant to any assessment received by Parent or any of its Subsidiaries, EXCEPT (a) such taxes, if any, as are being contested in good faith by appropriate proceedings and as to which adequate reserves have been established and maintained and (b) immaterial taxes and tax returns so long as no material item or portion of Property of Parent or any of its Subsidiaries is in jeopardy of being seized, levied upon or forfeited.

4.15 PROJECTIONS. As of the Closing Date, to the best knowledge of Parent and the Borrowers, the assumptions set forth in the Projections are reasonable and consistent with each other and with all facts known to Parent and the Borrowers, and the Projections are (a) reasonably based on such assumptions and (b) although a range of possible different assumptions and estimates might also be reasonable, neither Parent nor the Borrowers are aware of any facts which would lead them to believe that the assumptions and estimates on which the Projections were based are not reasonable; provided that no representation or warranty can be given that the projected results will be realized or with respect to the ability of Parent and its Subsidiaries to achieve the projected results and, while the Projections are necessarily presented with numerical specificity, the actual results achieved during the periods presented may differ from the projected results, and such differences may be material.

4.16 HAZARDOUS MATERIALS. Parent and the Borrowers have reasonably concluded that Hazardous Materials Laws are unlikely to have a material adverse effect on the business, financial position, results of operations or prospects of the Parent and its Subsidiaries, considered as a whole.

4.17 GAMING LAWS. Parent and each of its Subsidiaries are in compliance in all material respects with all Gaming Laws that are applicable to them and their businesses.

4.18 SOLVENCY. As of the Closing Date, and giving effect to the transactions contemplated to occur on the Closing Date, Parent and each of its Subsidiaries are Solvent.

Article 5
AFFIRMATIVE COVENANTS

So long as any Advance remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of the Commitment remains in force, Parent and each Borrower shall, and shall cause their respective Subsidiaries to, unless the Administrative Agent (with the written approval of the Requisite Lenders) otherwise consents:

5.1 PRESERVATION OF EXISTENCE. Preserve and maintain their respective existences in the jurisdiction of their formation and all material authorizations, rights, franchises, privileges, consents, approvals, orders, licenses, permits, or registrations from any Governmental Agency that are necessary for the transaction of their respective business, EXCEPT where the failure to so preserve and maintain the existence of any Subsidiary and such authorizations would not constitute a Material Adverse Effect and EXCEPT that a merger permitted by Section 6.1 shall not constitute a violation of this covenant; and qualify and remain qualified to transact business in each jurisdiction in which such qualification is necessary in view of their respective business or the ownership or leasing of their respective Properties EXCEPT where the failure to so qualify or remain qualified would not constitute a Material Adverse Effect.

5.2 MAINTENANCE OF PROPERTIES. Maintain, preserve and protect all of their respective depreciable Properties in good order and condition, subject to wear and tear in the ordinary course of business, and not permit any waste of their respective Properties, EXCEPT where the failure to maintain, preserve and protect a particular item of depreciable Property would not have a Material Adverse Effect.

5.3 MAINTENANCE OF INSURANCE. Maintain liability, casualty and other insurance (subject to customary deductibles and retentions) with financially sound and responsible insurance companies in such amounts and against such risks as is carried by responsible companies engaged in similar businesses and owning similar assets in the general areas in which Parent and its Subsidiaries operate, and will furnish to the Administrative Agent upon request information in reasonable detail as to the insurance so carried. Notwithstanding the foregoing, Parent and its Subsidiaries may self-insure with respect to such risks with respect to which companies of established reputation engaged in the same general line of business in the same general area usually self-insure.

5.4 COMPLIANCE WITH LAWS. Comply in all material respects and within the time period, if any, given for such compliance by the relevant Governmental Agency or Agencies with enforcement authority, with all Laws and Requirements of Law, including without limitation Hazardous Materials Laws, ERISA and all Gaming Laws, EXCEPT that Parent and its Subsidiaries need not comply with a Requirement of Law then being contested by any of them in good faith by appropriate proceedings.

5.5 INSPECTION RIGHTS. Upon reasonable notice, at any time during regular business hours and as often as requested (but not so as to materially interfere with the business of the Parent or any of its Subsidiaries), permit the Administrative Agent or any Lender, or any

authorized employee, agent or representative thereof, to examine, audit and make copies and abstracts from the records and books of account of, and to visit and inspect the Properties of, the Parent and its Subsidiaries and to discuss the affairs, finances and accounts of the Parent and its Subsidiaries with any of their officers, key employees or accountants and, upon request, furnish promptly to the Administrative Agent or any Lender true copies of all financial information made available to the senior management of the Parent.

5.6 KEEPING OF RECORDS AND BOOKS OF ACCOUNT. Keep adequate records and books of account reflecting all financial transactions in conformity with Generally Accepted Accounting Principles, consistently applied, and in material conformity with all applicable requirements of any Governmental Agency having regulatory jurisdiction over Parent or any of its Subsidiaries.

5.7 USE OF PROCEEDS. Use the proceeds of Loans for working capital and general corporate purposes of Parent and its Subsidiaries INCLUDING without limitation capital expenditures, share repurchases, commercial paper backup and acquisitions of equity securities or assets of other Persons, in each case to the extent not prohibited by the Loan Documents.

Article 6
NEGATIVE COVENANTS

So long as any Advance remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of the Commitment remains in force, Parent and each Borrower shall not, and shall not permit any of their respective Subsidiaries to, unless the Administrative Agent (with the written approval of the Requisite Lenders) otherwise consents:

6.1 CONSOLIDATIONS, MERGERS AND SALES OF ASSETS. Merge or consolidate with or into any Person, or sell lease or otherwise transfer all or any substantial part of the assets of Parent and its Subsidiaries, taken as a whole, to any Person, EXCEPT:

(a) mergers and consolidations of a Subsidiary of a Borrower into that Borrower or a Subsidiary thereof (with that Borrower or the Subsidiary as the surviving entity) or of Subsidiaries of the Borrowers with each other;

(b) a merger or consolidation of a Borrower or any Subsidiary thereof with any other Person, PROVIDED that (i) either (A) the Borrower or the Subsidiary is the surviving entity, or (B) the surviving entity is a corporation organized under the Laws of a State of the United States of America and, as of the date of such merger or consolidation, expressly assumes, by an instrument satisfactory in form and substance to the Requisite Lenders, the Obligations of the relevant Borrower or the Subsidiary, as the case may be, (ii) giving effect thereto, no Default or Event of Default exists or would result therefrom, and (iii) giving pro forma effect thereto, Borrowers are in compliance with the covenants set forth in Sections 6.5 and 6.6.

6.2 HOSTILE TENDER OFFERS. Make any offer to purchase or acquire, or consummate a purchase or acquisition of, 5% or more of the capital stock of any corporation or other equity securities of any business entity if the board of directors or management of such corporation or business entity has notified Parent or any of its Subsidiaries in writing that it opposes such offer or purchase and such notice has not been withdrawn or superseded.

6.3 CHANGE IN NATURE OF BUSINESS. Make any material change in the nature of the business of Parent and its Subsidiaries, taken as a whole, or acquire more than 49% of the capital stock or other equity securities of any Person which is engaged in a line of business other than the lines of business reasonably related to or incidental to the business engaged in by Parent and its Subsidiaries.

6.4 LIENS, NEGATIVE PLEDGES, SALE LEASEBACKS AND RIGHTS OF OTHERS. Create, incur, assume or suffer to exist any Lien, Negative Pledge or Right of Others of any nature upon or with respect to any of their respective Properties, whether now owned or hereafter acquired, or enter into any Sale and Leaseback with respect to any such Properties EXCEPT:

(a) Permitted Encumbrances and Permitted Rights of Others;

(b) Liens and Negative Pledges under the Loan Documents and under the Five Year Loan Agreement;

(c) other existing Liens, Negative Pledges and Rights of Others existing on the Closing Date and disclosed in Schedule 4.7 (or not required to be disclosed therein under Section 4.7) and any renewals or extensions thereof; PROVIDED that the obligations secured or benefitted thereby are not increased;

(d) Until the date which is ninety days following the Closing Date, any Lien, Negative Pledge or Right of Others on shares of any equity security or any warrant or option to purchase an equity security or any security which is convertible into an equity security issued by any Subsidiary of Parent that holds, directly or indirectly through a holding company or otherwise, a license to conduct gaming under any Gaming Law, and in the proceeds thereof; PROVIDED that this clause shall apply only so long as the Gaming Laws of the relevant jurisdiction provide that the creation of any restriction on the disposition of any of such securities shall not be effective and, if such Gaming Laws at any time cease to so provide, then this clause shall be of no further effect; and PROVIDED FURTHER that if at any time Parent or any of its Subsidiaries creates or suffers to exist a Lien or Negative Pledge covering such securities in favor of the holder of any other Indebtedness, it will (subject to any approval required under such Gaming Laws) concurrently grant a pari-passu

Lien or Negative Pledge likewise covering such securities in favor of the Administrative Agent for the benefit of the Lenders;

(e) Liens on Property acquired or constructed by Parent or any of its Subsidiaries, and in the proceeds thereof, that (i) were in existence at the time of the acquisition or construction of such Property or were created at or within 90 days after such acquisition or construction, and (ii) secure (in the case of Liens not in existence at the time of acquisition of the Property) only the unpaid portion of the acquisition or construction price for such Property, or monies borrowed that were used to pay such acquisition or construction price;

(f) Liens securing Indebtedness (INCLUDING Capital Lease Obligations) that replaces or refinances Indebtedness secured by Liens permitted under clause (e); PROVIDED that such Liens cover only the same Property as the Liens securing the Indebtedness replaced or refinanced;

(g) Liens, Negative Pledges and Rights of Others held by joint venture partners and any assignees thereof, and lenders thereto and any assignees thereof, with respect to the interests of Parent and its Subsidiaries in (i) that joint venture and the proceeds thereof or (ii) the capital stock or other equity ownership interests held by any Joint Venture Holding Company in that joint venture and the proceeds thereof, PROVIDED, in each case, that such Liens, Negative Pledges and Rights of Others shall

secure and relate only the obligations of such joint venture or Contingent Obligations permitted by Section 6.7(g);

(h) Liens, Negative Pledges and Rights of Others in favor of counterparties to agreements, and assignees thereof, entered into by Parent and its Subsidiaries in the ordinary course of business on the interests of Parent and its Subsidiaries under such agreements and the proceeds thereof, PROVIDED that such Liens, Negative Pledges and Rights of Others shall secure and relate only to restrictions on transfer of the rights of Parent and its Subsidiaries to the holders thereof under the relevant agreement;

(i) Liens on Cash securing only Defeased Debt;

(j) Liens not otherwise permitted by the foregoing clauses of this Section encumbering assets of the Parent and its Subsidiaries having an aggregate fair market value which is not in excess of 10% of Net Tangible Assets at any time; and

6.5 TOTAL DEBT RATIO. Permit the Total Debt Ratio to exceed 4.50:1.00 as of the last day of any Fiscal Quarter.

6.6 INTEREST COVERAGE RATIO. Permit the Interest Coverage Ratio to be less than 3.00:1.00 as of the last day of any Fiscal Quarter.

6.7 SUBSIDIARY INDEBTEDNESS. Permit any Subsidiary of Parent which is not a Borrower hereunder to create, assume, incur or suffer to exist any Indebtedness or Contingent Obligations with respect to Indebtedness OTHER THAN:

(a) Defeased Debt;

(b) secured Indebtedness (including Capital Lease Obligations) and Contingent Obligations which are permitted by Sections 6.4(e) or 6.4(f);

(c) unsecured Indebtedness and Contingent Obligations which were created, assumed or incurred by such Subsidiary prior to its acquisition by Parent and its Subsidiaries (and not in anticipation of such acquisition) but not any refinancings, renewals or extensions thereof;

(d) letters of credit, surety bonds and other similar forms of credit enhancement for such Subsidiaries incurred in the ordinary course of their business; and

(e) Intercompany Debt, PROVIDED such Indebtedness is not subject to any Lien (other than Liens in favor of the Administrative Agent and the Lenders);

(f) Contingent Obligations of Management Companies consisting of guarantees of Indebtedness of Persons which are the counterparties to any management agreement, development agreement or other similar instruments to which such Management Companies are also party, PROVIDED that (i) the assets of each Management Company issuing any such guarantees shall not exceed 1.0% of Net Tangible Assets at any time, and (ii) the aggregate amount of assets of all Subsidiaries issuing guarantees permitted by this Section 6.7(f) shall not exceed 5% of Net Tangible Assets at any time; and

(g) Contingent Obligations of Joint Venture Holding Companies consisting of guarantees of Indebtedness of Persons in which such Joint Venture Holding Companies own equity securities, PROVIDED that the other Persons owning such equity securities have also ratably guaranteed such Indebtedness.

Article 7
INFORMATION AND REPORTING REQUIREMENTS

7.1 FINANCIAL AND BUSINESS INFORMATION. So long as any Advance remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of the Commitment remains in force, Parent and the Borrowers shall, unless the Administrative Agent (with the written approval of the Requisite Lenders) otherwise consents, deliver to the Administrative Agent and the Lenders, at Parent's and Borrowers' sole expense:

(a) As soon as practicable, and in any event within 45 days after the end of each Fiscal Quarter (other than the fourth Fiscal Quarter in any Fiscal Year), the consolidated balance sheet of Parent and its Subsidiaries as at the end of such Fiscal Quarter and the consolidated statement of operations for each Fiscal Quarter, and its statement of cash flows for the portion of the Fiscal Year ended with such Fiscal Quarter and as at and for the portion of the Fiscal Year ended with such Fiscal Quarter, all in reasonable detail. Such financial statements shall be certified by a Senior Officer of Parent as fairly presenting the financial condition, results of operations and cash flows of Parent and its Subsidiaries in accordance with Generally Accepted Accounting Principles (other than footnote disclosures), consistently applied, as at such date and for such periods, subject only to normal year-end accruals and audit adjustments;

(b) As soon as practicable, and in any event prior to the penultimate Business Day of February in each Fiscal Year, a Certificate of a Responsible Official setting forth the Total Debt Ratio as of the last day of the fourth Fiscal Quarter of the preceding year, and providing reasonable detail as to the calculation thereof, which calculations shall be based on the preliminary unaudited financial statements of Parent and its Subsidiaries for such Fiscal Quarter;

(c) As soon as practicable, and in any event within 120 days after the end of each Fiscal Year, the consolidated balance sheet of Parent and its Subsidiaries as at the end of such Fiscal Year and the consolidated statements of operations, shareholders' equity and cash flows, in each case of Parent and its Subsidiaries for such Fiscal Year as at and for the Fiscal Year, all in reasonable detail. Such financial statements shall be prepared in accordance with Generally Accepted Accounting Principles, consistently applied, and such consolidated balance sheet and consolidated statements shall be accompanied by a report and opinion of independent public accountants of recognized standing selected by Parent and reasonably satisfactory to the Requisite Lenders, which report and opinion shall be prepared in accordance with generally accepted auditing standards as at such date, and shall not be subject to any qualifications or exceptions. Such accountants' report and opinion shall be accompanied by a certificate stating that, in making the examination pursuant to

generally accepted auditing standards necessary for the certification of such financial statements and such report, such accountants have obtained no knowledge of any Default or, if, in the opinion of such accountants, any such Default shall exist, stating the nature and status of such Default, and stating that such accountants have reviewed Parent's and Borrowers' financial calculations as at the end of such Fiscal Year (which shall accompany such certificate) under Section 6.5 and 6.6, have read

such Sections (including the definitions of all defined terms used therein) and that nothing has come to the attention of such accountants in the course of such examination that would cause them to believe that the same were not calculated by Parent and the Borrowers in the manner prescribed by this Agreement;

(d) As soon as practicable, and in any event within 90 days after the commencement of each Fiscal Year, a budget and projection by Fiscal Quarter for that Fiscal Year and by Fiscal Year for the next four succeeding Fiscal Years, INCLUDING for the first such Fiscal Year, projected quarterly consolidated balance sheets, statement of operations and statements of cash flow and, for the remaining four Fiscal Years, projected annual consolidated condensed balance sheets and statements of operations and cash flow, of Parent and its Subsidiaries, all in reasonable detail;

(e) Promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the shareholders of Parent, and copies of all annual, regular, periodic and special reports and registration statements which Parent may file or be required to file with the Securities and Exchange Commission under Sections 13 or 15(d) of the Securities Exchange Act of 1934 and not otherwise required to be delivered to the Lenders pursuant to other provisions of this Section;

(f) Promptly after the same are available, copies of the Nevada "Regulation 6.090 Report" and "6-A Report" and copies of any written communication to Parent or any of its Subsidiaries from any Gaming Board advising it of a violation of or non-compliance with, any Gaming Law by Parent or any of its Subsidiaries;

(g) Promptly after request by any Creditor, copies of any other report or other document that was filed by Parent or any of its Subsidiaries with any Governmental Agency;

(h) As soon as practicable, and in any event within three Business Days after a Senior Officer becomes aware of the existence of any condition or event which constitutes a Default, telephonic notice specifying the nature and period of existence thereof, and, no more than three Business Days after such telephonic notice, written notice again specifying the nature and period of existence thereof and specifying what action Parent or any of its Subsidiaries are taking or propose to take with respect thereto;

(i) Promptly upon a Senior Officer becoming aware of any litigation, governmental investigation or any proceeding, including any litigation or proceeding by or subject to decision by any Gaming Board) pending (i) against Parent or any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect, (ii) with respect to any material Indebtedness of Parent or any of its Subsidiaries, or (iii) with respect to the Loan Documents, notice of the existence of the same; and

(j) Such other data and information as from time to time may be reasonably requested by any Creditor through the Administrative Agent.

7.2 COMPLIANCE CERTIFICATES. So long as any Advance remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of the Commitment remains outstanding, Parent and Borrowers shall deliver to the Administrative Agent and the Lenders, at Parent's and Borrowers' sole expense, concurrently with the financial statements required pursuant to Sections 7.1(a) and 7.1(c), a Compliance Certificate signed on Parent's and Borrowers' behalf by a Senior Officer.

Article 8
CONDITIONS

8.1 INITIAL ADVANCES, ETC. The obligation of each Lender to make the initial Advance to be made by it is subject to the following conditions precedent, each of which shall be satisfied prior to the making of the initial

Advances (unless all of the Lenders, in their sole and absolute discretion, shall agree otherwise):

(a) The Administrative Agent shall have received all of the following, each of which shall be originals unless otherwise specified, each properly executed by a Responsible Official of each party thereto, each dated as of the Closing Date and each in form and substance satisfactory to the Administrative Agent and its legal counsel (unless otherwise specified or, in the case of the date of any of the following, unless the Administrative Agent otherwise agrees or directs):

(1) at least one executed counterpart of this Agreement, together with arrangements satisfactory to the Administrative Agent for additional executed counterparts, sufficient in number for distribution to the Lenders, Parent and each Borrower;

(2) Notes executed by each Borrower in favor of each Lender, each in a principal amount equal to that Lender's Pro Rata Share;

(3) the Parent Guaranty executed by Parent;

(4) with respect to the Parent and each other Borrower, such documentation as the Administrative Agent may require to establish the due organization, valid existence and good standing of Parent and each Borrower, its authority to execute, deliver and perform any Loan Documents to which it is a Party, the identity, authority and capacity of each Responsible Official thereof authorized to act on its behalf, INCLUDING certified copies of articles of incorporation and amendments thereto, bylaws and amendments thereto, certificates of good standing, certificates of corporate resolutions, incumbency certificates and Certificates of Responsible Officials;

(5) the Opinions of Counsel;

(6) such assurances as the Administrative Agent deems appropriate that the relevant Gaming Boards have approved the transactions contemplated by the Loan Documents to the extent that such approval is required by applicable Gaming Laws;

(7) a Certificate of a Responsible Official signed on Parent's and the Borrowers' behalf by a Senior Officer setting forth the Total Debt Ratio as of March 31, 2001 and the Debt Rating as of the Closing Date;

(8) a Certificate of a Responsible Official signed on Parent's and the Borrowers' behalf by a Senior Officer certifying that the conditions specified in Sections 8.1(e) and 8.1(f) have been satisfied;

(9) a copy of the Parent's and its Subsidiaries' audited consolidated annual financial statements for the Fiscal Year ended December 31, 2000; and

(10) such other assurances, certificates, documents, consents or opinions as the Administrative Agent reasonably may require.

(b) The initial Loans shall have been used or shall concurrently be used to refinance the obligations of the Borrowers under the Existing Loan Agreement.

(c) The arrangement fee, upfront fees and agency fees payable pursuant to Sections 3.2, 3.3 and 3.5 shall have been paid.

(d) The reasonable costs and expenses of the Administrative Agent and the Lead Arranger in connection with the preparation of the Loan Documents payable pursuant to Section 11.3, and invoiced to the Parent prior to the Closing Date, shall have been paid.

(e) The representations and warranties of Parent and the Borrowers contained in Article 4 shall be true and correct.

(f) Parent, Borrowers and any other Parties shall be in compliance with all the terms and provisions of the Loan Documents, and after giving effect to the initial Advance no Default or Event of Default

shall have occurred and be continuing.

8.2 ANY INCREASING ADVANCE, ETC. The obligation of each Lender to make any Advance which would increase the aggregate principal amount of the outstanding Advances is subject to the following conditions precedent:

(a) EXCEPT (i) for representations and warranties which expressly speak as of a particular date or are no longer true and correct as a result of a change which is not a violation of the Loan Documents and (ii) as disclosed by Parent and Borrowers and approved in writing by the Requisite Lenders, the representations and warranties contained in Article 4 (OTHER THAN Sections 4.4(a), 4.6 (first sentence) and 4.15) shall be true and correct on and as of the date of the Advance as though made on that date;

(b) there shall not be then pending or threatened any action, suit, proceeding or investigation against or affecting Parent or any of its Subsidiaries or any Property of any of them before any Governmental Agency that constitutes a Material Adverse Effect;

(c) the Administrative Agent shall have timely received a Request for Loan in compliance with Article 2 (or telephonic or other request for loan referred to in the second sentence of Section 2.1(b), if applicable) in compliance with Article 2; and

(d) the Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent, such other assurances, certificates, documents or consents related to the foregoing as the Administrative Agent or Requisite Lenders reasonably may require.

Article 9
EVENTS OF DEFAULT AND REMEDIES UPON EVENT OF DEFAULT

9.1 EVENTS OF DEFAULT. The existence or occurrence of any one or more of the following events, whatever the reason therefor and under any circumstances whatsoever, shall constitute an Event of Default:

(a) Any Borrower fails to pay any principal on any Note, or any portion thereof, on the date when due; or

(b) Parent or any Borrower fails to pay any interest on any of the Notes, or any fees under Sections 3.4 or 3.5, or any portion thereof, within five Business Days after the date when due; or fails to pay any other fee or amount payable to the Lenders under any Loan Document, or any portion thereof, within five Business Days after demand therefor; or

(c) Parent or any Borrower fails, immediately upon notice from the Administrative Agent, to comply with any of the covenants contained in Article 6 (OTHER THAN the covenant contained in Section 6.3); or

(d) Parent or any Borrower fails to comply with Section 7.1(h) in any respect that is materially adverse to the interests of the Lenders; or

(e) Parent, any Borrower or any other Party fails to perform or observe any other covenant or agreement (not specified in clauses (a), (b), (c) or (d) above) contained in any Loan Document on its part to be performed or observed within thirty Business Days after the giving of notice by the Administrative Agent on behalf of the Requisite Lenders of such Default; or

(f) Any representation or warranty of Parent or any Borrower made in any Loan Document, or in any certificate or other writing delivered by Parent or any Borrower pursuant to any Loan Document, proves to have been incorrect when made or reaffirmed; or

(g) Parent or any of its Significant Subsidiaries (i) fails to pay the principal, or any principal installment, of any present or future indebtedness for borrowed money of $100,000,000 or more including without limitation the Five Year Loan Agreement, or any guaranty of present or future indebtedness for borrowed money of $100,000,000 or more, on its part to be paid, when due (or within any stated grace period), whether at

the stated maturity, upon acceleration, by reason of required prepayment or otherwise or (ii) fails to perform or observe any other term, covenant or agreement on its part to be performed or observed, or suffers any event to occur, in connection with any present or future indebtedness for borrowed money of $100,000,000 or more, or of any guaranty of present or future indebtedness for

borrowed money of $100,000,000 or more, if as a result of such failure or sufferance any holder or holders thereof (or an agent or trustee on its or their behalf) has the right to declare such indebtedness due before the date on which it otherwise would become due; or

(h) Any event occurs which gives the holder or holders of any Subordinated Debt (or an agent or trustee on its or their behalf) the right to declare such indebtedness due before the date on which it otherwise would become due, or the right to require the issuer thereof to redeem or purchase, or offer to redeem or purchase, all or any portion of any Subordinated Debt; or

(i) Any Loan Document, at any time after its execution and delivery and for any reason other than the agreement of the Lenders or satisfaction in full of all the Obligations ceases to be in full force and effect or is declared by a court of competent jurisdiction to be null and void, invalid or unenforceable in any respect which, in any such event in the reasonable opinion of the Requisite Lenders, is materially adverse to the interests of the Lenders; or any Party thereto denies in writing that it has any or further liability or obligation under any Loan Document, or purports in writing to revoke, terminate or rescind same; or

(j) A final judgment against the Parent or any of its Significant Subsidiaries is entered for the payment of money in excess of $25,000,000 and, absent procurement of a stay of execution, such judgment remains unsatisfied for thirty calendar days after the date of entry of judgment, or in any event later than five days prior to the date of any proposed sale thereunder; or any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the Property of any such Person and is not released, vacated or fully bonded within thirty calendar days after its issue or levy; or

(k) The Parent or any of its Significant Subsidiaries institutes or consents to the institution of any proceeding under a Debtor Relief Law relating to it or to all or any part of its Property, or is unable or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any part of its Property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of that Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under a Debtor Relief Law relating to any such Person or to all or any part of its Property is instituted without the consent of that Person and continues undismissed or unstayed for 60 calendar days; or

(l) The occurrence of an Event of Default (as such term is or may hereafter be specifically defined in any other Loan Document) under any other Loan Document; or

(m) Any determination is made by a court of competent jurisdiction that any Subordinated Debt is not subordinated in accordance with its terms to the Obligations, PROVIDED THAT for so long as such determination is effectively stayed during any pending appeal the same shall not constitute an Event of Default; or

(n) Any Pension Plan maintained by the Parent or any of its Subsidiaries is determined to have a material "accumulated funding deficiency" as that term is defined in Section 302 of ERISA and the result is a Material Adverse Effect; or

(o) The occurrence of a License Revocation with respect to a license issued to Parent or any of its Subsidiaries by any Gaming Board of the States of New Jersey or Nevada with respect to gaming operations at

any gaming facility accounting for 5% or more of the consolidated gross revenues of Parent and its Subsidiaries that continues for thirty calendar days.

9.2 REMEDIES UPON EVENT OF DEFAULT. Without limiting any other rights or remedies of the Creditors provided for elsewhere in this Agreement, or the Loan Documents, or by applicable Law, or in equity, or otherwise:

(a) Upon the occurrence, and during the continuance, of any Event of Default OTHER THAN an Event of Default described in Section 9.1(k):

(1) the commitment to make Advances and all other obligations of the Creditors and all rights of Parent, Borrowers and any other Parties under the Loan Documents shall be suspended without notice to or demand upon Parent or the Borrowers, which are expressly waived by Parent and the Borrowers, EXCEPT that all of the Lenders or the Requisite Lenders (as the case may be, in accordance with Section 11.2) may waive an Event of Default or, without waiving, determine, upon terms and conditions satisfactory to the Lenders or Requisite Lenders, as the case may be, to reinstate the Commitment and make further Advances, which waiver or determination shall apply equally to, and shall be binding upon, all the Lenders; and

(2) the Requisite Lenders may request the Administrative Agent to, and the Administrative Agent thereupon shall, terminate the Commitment and/or declare all or any part of the unpaid principal of all Notes, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents to be forthwith due and payable, whereupon the same shall become and be forthwith due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by Parent and the Borrowers.

(b) Upon the occurrence of any Event of Default described in Section 9.1(k):

(1) the commitment to make Advances and all other obligations of the Creditors and all rights of Parent, Borrowers and any other Parties under the Loan Documents shall terminate without notice to or demand upon Parent or Borrowers, which are expressly waived by Parent and Borrowers, EXCEPT that all the Lenders may waive the Event of Default or, without waiving, determine, upon terms and conditions satisfactory to all the Lenders, to reinstate the Commitment and make further Advances, which determination shall apply equally to, and shall be binding upon, all the Lenders; and

(2) the unpaid principal of all Notes, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents shall be forthwith due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by Parent and Borrowers.

(c) Upon the occurrence of any Event of Default, the Creditors, or any of them, without notice to (EXCEPT as expressly provided for in any Loan Document) or demand upon Parent or Borrowers, which are expressly waived by Borrowers (EXCEPT as to notices expressly provided for in any Loan Document), may proceed (but only with the consent of the Requisite Lenders) to protect, exercise and enforce their rights and remedies under the Loan Documents against Parent and the Borrowers and any other Parties and such other rights and remedies as are provided by Law or equity.

(d) The order and manner in which the Lenders' rights and remedies are to be exercised shall be determined by the Requisite Lenders in their sole discretion, and all payments received by the Creditors, shall be applied first to the costs and expenses (including attorneys' fees and disbursements and the allocated costs of attorneys employed by the Administrative Agent) of the Creditors, and thereafter paid pro rata to the Lenders in the same proportions that the aggregate Obligations owed to each Lender under the Loan Documents bear to the aggregate Obligations owed under the Loan Documents to all the Lenders, without priority or preference among the Lenders. Regardless of how each Lender may treat payments for the purpose of its own accounting, for the purpose of computing the Obligations hereunder and under the Notes, payments shall be applied FIRST, to the costs and expenses of the Creditors, as set forth

above, SECOND, to the payment of accrued and unpaid interest due under any Loan Documents to and including the date of such application (ratably, and without duplication, according to the accrued and unpaid interest due under each of the Loan Documents), and THIRD, to the payment of all other amounts (including principal and fees) then owing to the Creditors under the Loan Documents. No application of payments will cure any Event of Default, or prevent acceleration, or continued acceleration, of amounts payable under the Loan

Documents, or prevent the exercise, or continued exercise, of rights or remedies of the Lenders hereunder or thereunder or at Law or in equity.

Article 10
THE ADMINISTRATIVE AGENT

10.1 APPOINTMENT AND AUTHORIZATION. Each Creditor hereby irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Administrative Agent by the terms thereof or are reasonably incidental, as determined by the Administrative Agent, thereto. This appointment and authorization is intended solely for the purpose of facilitating the servicing of the Obligations and does not constitute appointment of the Administrative Agent as trustee for any Lender or as representative of any Lender for any other purpose and, EXCEPT as specifically set forth in the Loan Documents to the contrary, the Administrative Agent shall take such action and exercise such powers only in an administrative and ministerial capacity.

10.2 ADMINISTRATIVE AGENT AND AFFILIATES. Bank of America (and each successor Administrative Agent) has the same rights and powers under the Loan Documents as any other Lender and may exercise the same as though it was not the Administrative Agent, and the term "Lender" or "Lenders" includes Bank of America in its individual capacity. Bank of America (and each successor Administrative Agent) and its Affiliates may accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with Parent, any Subsidiary thereof, or any Affiliate of Parent, as if it was not the Administrative Agent and without any duty to account therefor to the Lenders. Bank of America (and each successor Administrative Agent) need not account to any other Bank for any monies received by it for reimbursement of its costs and expenses as Administrative Agent hereunder, or for any monies received by it in its capacity as a Lender hereunder. The Administrative Agent shall not be deemed to hold a fiduciary relationship with any Lender and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent.

10.3 PROPORTIONATE INTEREST IN ANY COLLATERAL. The Administrative Agent, on behalf of all the Lenders, shall hold in accordance with the Loan Documents all items of any collateral or interests therein hereafter received or held by the Administrative Agent. Subject to the Administrative Agent's and the Lenders' rights to reimbursement for their costs and expenses hereunder (INCLUDING attorneys' fees and disbursements and other professional services and the allocated costs of attorneys employed by the Administrative Agent or a Lender), each Lender shall have an interest in the Lenders' interest in any collateral or interests therein in the same proportions that the aggregate Obligations owed such Lender under the Loan Documents bear to the aggregate Obligations owed under the Loan Documents to all the Lenders, without priority or preference among the Lenders.

10.4 LENDERS' CREDIT DECISIONS. Each Creditor agrees that it has, independently and without reliance upon the Administrative Agent, any other Creditor or the directors, officers, agents, employees or attorneys of any other Creditor, and instead in reliance upon information supplied to it by or on behalf of Parent and Borrowers and upon such other information as it

has deemed appropriate, made its own independent credit analysis and decision to enter into this Agreement. Each Creditor also agrees that it shall, independently and without reliance upon any other Creditor or the directors, officers, agents, employees or attorneys of any other Creditor, continue to make its own independent credit analyses and decisions in acting or not acting under

the Loan Documents.

10.5 ACTION BY ADMINISTRATIVE AGENT.

(a) The Administrative Agent may assume that no Default or Event of Default has occurred and is continuing, unless they have received notice from a Parent or any Borrower stating the nature of the Default or Event of Default or have received notice from a Lender stating the nature of the Default or Event of Default and that such Lender considers the Default or Event of Default to have occurred and to be continuing.

(b) The Administrative Agent has only those obligations under the Loan Documents as are expressly set forth therein.

(c) EXCEPT for any obligation expressly set forth in the Loan Documents and as long as the Administrative Agent may assume that no Event of Default has occurred and is continuing, the Administrative Agent may, but shall not be required to, exercise its discretion to act or not act, EXCEPT that the Administrative Agent shall be required to act or not act upon the instructions of the Requisite Lenders (or of all the Lenders, to the extent required by Section 11.2) and those instructions shall be binding upon the Administrative Agent and all the Lenders, PROVIDED that the Administrative Agent shall not be required to act or not act if to do so would be contrary to any Loan Document or to applicable Law or would result, in the reasonable judgment of the Administrative Agent, in substantial risk of liability to the Administrative Agent.

(d) If the Administrative Agent has received a notice specified in clause (a), the Administrative Agent shall immediately give notice thereof to the Lenders and shall act or not act upon the instructions of the Requisite Lenders (or of all the Lenders, to the extent required by Section 11.2), PROVIDED that the Administrative Agent shall not be required to act or not act if to do so would be contrary to any Loan Document or to applicable Law or would result, in the reasonable judgment of the Administrative Agent, in substantial risk of liability to the Administrative Agent, and EXCEPT that if the Requisite Lenders (or all the Lenders, if required under Section 11.2) fail, for five Business Days after the receipt of notice from the Administrative Agent, to instruct the Administrative Agent, then the Administrative Agent, in its sole discretion, may act or not act as it deems advisable for the protection of the interests of the Creditors.

(e) The Administrative Agent shall have no liability to any Creditor for acting, or not acting, as instructed by the Requisite Lenders (or all the Lenders, if required under Section 11.2), notwithstanding any other provision hereof.

10.6 LIABILITY OF ADMINISTRATIVE AGENT. Neither the Administrative Agent nor any of its directors, officers, agents, employees or attorneys shall be liable for any action taken or not taken by them under or in connection with the Loan Documents, EXCEPT for their own gross negligence or willful misconduct. Without limitation on the foregoing, the Administrative Agent and its directors, officers, agents, employees and attorneys:

(a) May treat the payee of any Note as the holder thereof until the Administrative Agent receives notice of the assignment or transfer thereof, in form satisfactory to the Administrative Agent, signed by the payee, and may treat each Lender as the owner of that Lender's interest in the Obligations for all purposes of this Agreement until the Administrative Agent receives notice of the assignment or transfer thereof, in form satisfactory to the Administrative Agent, signed by that Lender.

(b) May consult with legal counsel (INCLUDING in-house legal counsel), accountants (INCLUDING in-house accountants) and other professionals or experts selected by it, or with legal counsel, accountants or other professionals or experts for Parent and/or its Subsidiaries or the Lenders, and shall not be liable for any action taken or not taken by it in good faith in accordance with any advice of such legal counsel, accountants or other professionals or experts.

(c) Shall not be responsible to any Lender for any statement, warranty or representation made in any of the Loan Documents or in any notice, certificate, report, request or other statement (written or oral) given or made in connection with any of the Loan Documents.

(d) EXCEPT to the extent expressly set forth in the Loan Documents, shall have no duty to ask or inquire as to the performance or

observance by Parent or its Subsidiaries of any of the terms, conditions or covenants of any of the Loan Documents or to inspect any collateral or the Property, books or records of Parent or its Subsidiaries.

(e) Will not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, effectiveness, sufficiency or value of any Loan Document, any other instrument or writing furnished pursuant thereto or in connection therewith, or any collateral.

(f) Will not incur any liability by acting or not acting in reliance upon any Loan Document, notice, consent, certificate, statement, request or other instrument or writing believed by it to be genuine and signed or sent by the proper party or parties.

(g) Will not incur any liability for any arithmetical error in computing any amount paid or payable by Parent, Borrowers or any Subsidiary thereof or paid or payable to or received or receivable from any Lender under any Loan

Document, INCLUDING, without limitation, principal, interest, commitment fees, Advances and other amounts; PROVIDED that, promptly upon discovery of such an error in computation, the Creditors (and, to the extent applicable, Parent and Borrowers) shall make such adjustments as are necessary to correct such error and to restore the parties to the position that they would have occupied had the error not occurred.

10.7 INDEMNIFICATION. Each Lender shall, ratably in accordance with its Pro Rata Share, indemnify and hold the Administrative Agent, the Lead Arranger and their respective directors, officers, agents, employees and attorneys harmless against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including, without limitation, attorneys' fees and disbursements and allocated costs of attorneys employed by the Administrative Agent or the Lead Arranger) that may be imposed on, incurred by or asserted against it or them in any way relating to or arising out of the Loan Documents (other than losses incurred by reason of the failure of Parent or Borrowers to pay and perform the Obligations) or any action taken or not taken by it as Administrative Agent and the Lead Arranger thereunder, EXCEPT such as result from their own gross negligence or willful misconduct. Without limitation on the foregoing, each Lender shall reimburse the Administrative Agent and the Lead Arranger upon demand for that Lender's Pro Rata Share of any out-of-pocket cost or expense incurred by the Administrative Agent or the Lead Arranger in connection with the negotiation, preparation, execution, delivery, amendment, waiver, restructuring, reorganization (INCLUDING a bankruptcy reorganization), enforcement or attempted enforcement of the Loan Documents, to the extent that Parent, Borrowers or any other Party fails to do so upon demand.

10.8 SUCCESSOR ADMINISTRATIVE AGENT. The Administrative Agent may, and at the request of the Requisite Lenders shall, resign as Administrative Agent upon thirty days notice to the Lenders, Parent and the Borrowers. If the Administrative Agent resigns as Administrative Agent under this Agreement, the Requisite Lenders shall appoint from among the Lenders a successor administrative agent for the Lenders, which successor administrative agent shall be approved by Parent and Borrowers (and such approval shall not be unreasonably withheld). If no successor administrative agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders, Parent and Borrowers, a successor administrative agent from among the Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor administrative agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated (except for any liabilities incurred prior to such termination). After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article 10, and Sections 11.3, and 11.10, shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is thirty days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the

Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Requisite Lenders appoint a successor administrative agent as provided for above.

10.9 NO OBLIGATIONS OF PARENT OR BORROWERS. Nothing contained in this Article 10 shall be deemed to impose upon Parent or Borrowers any obligation in respect of the due and punctual performance by the Administrative Agent of its obligations to the Lenders under any provision of this Agreement, and Parent and Borrowers shall have no liability to any Creditor in respect of any failure by any Creditor to perform any of its obligations to any other Creditor under this Agreement.

Article 11
MISCELLANEOUS

11.1 CUMULATIVE REMEDIES; NO WAIVER. The rights, powers, privileges and remedies of the Creditors provided herein or in any Note or other Loan Document are cumulative and not exclusive of any right, power, privilege or remedy provided by Law or equity. No failure or delay on the part of any Creditor in exercising any right, power, privilege or remedy may be, or may be deemed to be, a waiver thereof; nor may any single or partial exercise of any right, power, privilege or remedy preclude any other or further exercise of the same or any other right, power, privilege or remedy. The terms and conditions of Article 8 hereof are inserted for the sole benefit of the Creditors; the same may be waived in whole or in part, with or without terms or conditions, in respect of any Loan without prejudicing the Creditors rights to assert them in whole or in part in respect of any other Loan.

11.2 AMENDMENTS; CONSENTS. No amendment, modification, supplement, extension, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent thereunder, and no consent to any departure by Parent, Borrowers or any other Party therefrom, may in any event be effective unless in writing signed by the Requisite Lenders (and, in the case of any amendment, modification or supplement of or to any Loan Document to which Parent or any Borrower is a party, signed by Parent and that Borrower and, in the case of any amendment, modification or supplement to Article 10, signed by the Administrative Agent), and then only in the specific instance and for the specific purpose given; and, without the approval in writing of all the Lenders, no amendment, modification, supplement, termination, waiver or consent may be effective:

(a) To forgive any principal Obligation, defer any required payment of any Obligation, reduce the amount or rate of interest payable on any Loan or Advance without the consent of the affected Lender, increase the amount of the Commitment or the Pro Rata Share of any Lender or decrease the amount of any facility fee payable to any Lender, or reduce any other fee or amount payable to the Creditors under the Loan Documents or to waive an Event of Default consisting of the failure of any Borrower to pay when due principal, interest or any facility fee;

(b) To postpone any date fixed for any payment of principal of, prepayment of principal of or any installment of interest on, any Note or any installment of any facility fee, or to extend the term of the Commitment (except as set forth in Section 2.8);

(c) To amend the provisions of the definition of "Requisite Lenders" or this Section 11.2 or to amend or waive Section 6.2;

(d) to release or subordinate the Parent Guaranty; or

(e) To amend any provision of this Agreement that expressly requires the consent or approval of all the Lenders.

Any amendment, modification, supplement, termination, waiver or consent pursuant to this Section 11.2 shall apply equally to, and shall be binding upon, all of the Creditors.

If, in connection with any proposed amendment, modification, supplement, termination, waiver or consent to any of the provisions hereof as contemplated by clauses (a) through (d), inclusive, of this Section 11.2, the consent of the Required Lenders is obtained, but the consent of one or more of the other Lenders is required and is not obtained, then the Borrowers shall have the right

to (i) replace such non-consenting Lender with one or more Eligible Assignees in accordance with Section 11.14(a) if such Eligible Assignee consents to the proposed amendment, modification, supplement, termination, waiver or consent, or (ii) reduce the Commitment in accordance with Section 11.14(b) or any combination of the foregoing, provided that each such non-consenting Lender shall be either replaced as set forth in clause (i) or eliminated as set forth in clause (ii).

11.3 COSTS, EXPENSES AND TAXES. Each Borrower shall pay within two Business Days after demand, accompanied by an invoice therefor, the reasonable costs and expenses of the Administrative Agent and the Lead Arranger in connection with the negotiation, preparation, syndication, execution and delivery of the Loan Documents and any amendment thereto or waiver thereof which is requested by Borrowers or is entered into when any Default or Event of Default exists. Following any Event of Default, each Borrower shall pay on demand, accompanied by an invoice therefor, the reasonable costs and expenses of the Administrative Agent and each of the other Creditors in connection with the restructuring, reorganization (INCLUDING a bankruptcy reorganization) and enforcement or attempted enforcement of the Loan Documents, and any matter related thereto. The foregoing costs and expenses shall include filing fees, recording fees, title insurance fees, appraisal fees, search fees, and other out-of-pocket expenses and the reasonable fees and out-of-pocket expenses of any legal counsel (INCLUDING allocated costs of legal counsel employed by any Creditor), independent public accountants and other outside experts retained by any of the Creditors, whether or not such costs and expenses are incurred or suffered by the Creditors in connection with or during the course of any bankruptcy or insolvency proceedings of the Parent or any Subsidiary thereof. Such costs and expenses shall also include, in the case of any amendment or waiver of any Loan Document requested by the Parent or the Borrowers, the administrative costs of the Administrative Agent reasonably attributable thereto. Each Borrower shall pay any and all documentary and other taxes, EXCLUDING, in the case of each Creditor and its Eurodollar Lending Office thereof, (i) taxes imposed on or measured in whole or in part by its net income or capital and franchise taxes imposed on it, (ii) any withholding taxes or other taxes based on net income (other than withholding taxes and taxes based on net income resulting from or attributable to any change following the Closing Date in any law, rule or regulation or any change following the Closing Date in the interpretation or administration of any law, rule or regulation by any governmental authority) or (iii) any withholding taxes or other taxes based on net income for any period with respect to which it has failed to provide the Parent with the appropriate form or forms required by Section 11.21, to the extent such forms are then

required by applicable Laws, and all costs, expenses, fees and charges payable or determined to be payable in connection with the filing or recording of this Agreement, any other Loan Document or any other instrument or writing to be delivered hereunder or thereunder, or in connection with any transaction pursuant hereto or thereto, and shall reimburse, hold harmless and indemnify the Creditors from and against any and all loss, liability or legal or other expense with respect to or resulting from any delay in paying or failure to pay any such tax, cost, expense, fee or charge or that any of them may suffer or incur by reason of the failure of any Party to perform any of its Obligations. Any amount payable to the Creditors under this Section 11.3 shall bear interest from the second Business Day following the date of demand for payment at the Default Rate.

11.4 NATURE OF LENDERS' OBLIGATIONS. The obligations of the Lenders hereunder are several and not joint or joint and several. Nothing contained in this Agreement or any other Loan Document and no action taken by the Creditors or any of them pursuant hereto or thereto may, or may be deemed to, make the Creditors a partnership, an association, a joint venture or other entity, either among themselves or with Parent, any Borrower or any Affiliate thereof. Each Lender's obligation to make any Advance pursuant hereto is several and not joint or joint and several, and in the case of the initial Advance only is conditioned upon the performance by all other Lenders of their obligations to make initial Advances. A default by any Lender will not increase the Pro Rata Share attributable to any other Lender. Any Lender not in default may, if it desires, assume in such proportion as a majority in interest of the nondefaulting Lenders agree the obligations of any Lender in default, but is not obligated to do so.

11.5 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties contained herein or in any other Loan Document, or in any certificate or other writing delivered by or on behalf of any one or more of the Parties to any Loan Document, will survive the making of the Loans hereunder and the execution and delivery of the Notes, and have been or will be relied upon by the Creditors, notwithstanding any investigation made by the Creditors or on their behalf.

11.6 NOTICES. EXCEPT as otherwise expressly provided in the Loan Documents, all notices, requests, demands, directions and other communications provided for hereunder or under any other Loan Document must be in writing and must be mailed, telecopied or delivered by overnight courier or otherwise to the appropriate party at the address set forth on the signature pages of this Agreement or other applicable Loan Document or, as to any party to any Loan Document, at any other address as may be designated by it in a written notice sent to all other parties to such Loan Document in accordance with this Section. EXCEPT as otherwise expressly provided in any Loan Document, if any notice, request, demand, direction or other communication required or permitted by any Loan Document is given by mail it will be effective on the earlier of receipt or the third calendar day after deposit in the United States mail with first class or airmail postage prepaid; if given by telecopier, when sent; or if given by personal delivery, when delivered.

11.7 EXECUTION OF LOAN DOCUMENTS. Unless the Administrative Agent otherwise specifies with respect to any Loan Document, (a) this Agreement and any other Loan

Document may be executed in any number of counterparts and any party hereto or thereto may execute any counterpart, each of which when executed and delivered will be deemed to be an original and all of which counterparts of this Agreement or any other Loan Document, as the case may be, when taken together will be deemed to be but one and the same instrument and (b) execution of any such counterpart may be evidenced by a telecopier transmission of the signature of such party. The execution of this Agreement or any other Loan Document by any party hereto or thereto will not become effective until counterparts hereof or thereof, as the case may be, have been executed by all the parties hereto or thereto.

11.8 BINDING EFFECT; ASSIGNMENT.

(a) This Agreement and the other Loan Documents will be binding upon and inure to the benefit of Parent, Borrowers, the Creditors, and their respective successors and assigns, EXCEPT that Parent and Borrowers may not assign their rights hereunder or thereunder or any interest herein or therein without the prior written consent of all the Lenders (any purported assignment by Parent or any Borrower in violation of this Section being VOID AB INITIO). Each Lender represents that it is not acquiring its Notes with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (subject to any requirement that disposition of such Notes must be within the control of such Lender). Any Lender may at any time pledge its Notes or any other instrument evidencing its rights as a Lender under this Agreement to a Federal Reserve Bank, but no such pledge shall release that Lender from its obligations hereunder or grant to such Federal Reserve Bank the rights of a Lender hereunder absent foreclosure of such pledge.

(b) From time to time following the Closing Date, each Lender may assign to one or more Eligible Assignees all or any portion of its Pro Rata Share and its Notes; PROVIDED that (i) such Eligible Assignee, if not then a Lender or an Affiliate of the assigning Lender having a combined capital and surplus in excess of $100,000,000, shall be approved by each of the Administrative Agent (which approval shall not be unreasonably withheld) and the Parent and the Borrowers (which approval shall not be unreasonably withheld and will not be required if an Event of Default has occurred and remains continuing), (ii) such assignment shall be evidenced by an Assignment Agreement, a copy of which shall be furnished to the Administrative Agent, (iii) EXCEPT in the case of an assignment to an Affiliate of the assigning Lender, to another Lender or of the entire remaining Commitment of the assigning Lender, the assignment shall not assign a Pro Rata Share which is less than $5,000,000, and (iv) the effective date of any such assignment shall be as specified in the Assignment Agreement, but not earlier than the date which is five Business Days after the date the Administrative Agent has received the Assignment Agreement. Upon the effective date of such Assignment Agreement, the Eligible Assignee named therein shall be a Lender for all purposes of this Agreement, with the Pro Rata Share therein set forth and, to the extent of such Pro Rata Share, the assigning Lender shall be released from its further obligations under this Agreement and the other Loan Documents. Each Borrower agrees that it shall execute and deliver (against delivery by the assigning Lender to the Borrowers of its Notes) to such assignee Lender, Notes evidencing that assignee Lender's Pro Rata Share, and to the

assigning Lender, Notes evidencing the remaining balance Pro Rata Share retained by the assigning Lender.

(c) By executing and delivering an Assignment Agreement, the Eligible Assignee thereunder acknowledges and agrees that: (i) other than the representation and warranty that it is the legal and beneficial owner of the Pro Rata Share being assigned thereby free and clear of any adverse claim, the assigning Lender has made no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness or sufficiency of this Agreement or any other Loan Document; (ii) the assigning Lender has made no representation or warranty and assumes no responsibility with respect to the financial condition of the Parent or its Subsidiaries or the performance by the Parent or its Subsidiaries of the Obligations; (iii) it has received a copy of this Agreement and the other Loan Documents, together with copies of the most recent financial statements delivered pursuant to Section 7.1 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment Agreement; (iv) it will, independently and without reliance upon any other Creditor and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) it appoints and authorizes the Administrative Agent to take such action and to exercise such powers under this Agreement and the Loan Documents as are delegated to the Administrative Agent by this Agreement; and (vi) it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent shall maintain a copy of each Assignment Agreement delivered to it. After receipt of a completed Assignment Agreement executed by any Lender and an Eligible Assignee, and receipt (except in the case of the assignment to an Affiliate of the Assignor) of an assignment fee of $3,500 from such Eligible Assignee, the Administrative Agent shall confirm the effectiveness of the assignment to the parties thereto, Parent and Borrowers.

(e) Each Lender may from time to time grant participations in a portion of its Pro Rata Share, in each case to one or more banks or other financial institutions (INCLUDING another Lender); PROVIDED, HOWEVER, that (i) such Lender's obligations under the Loan Documents shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other financial institutions shall not be a Lender hereunder for any purpose EXCEPT, if the participation agreement so provides, for the purposes of Sections 3.6, 3.7 and 11.10, but only to the extent that the cost of such benefits to Parent and Borrowers does not exceed the cost which Parent and the Borrowers would have incurred in respect of such Lender absent the participation, (iv) Parent, the Borrowers and the other Creditors shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, (v) the participation interest shall not restrict an increase in the Commitment, or in the granting Lender's Pro Rata Share, so long as the amount of the participation interest

is not affected thereby, and (vi) the consent of the holder of such participation interest shall not be required for amendments or waivers of provisions of the Loan Documents OTHER THAN those which (A) extend the Maturity Date or any other date upon which any payment of money is due to the Lender granting the participation, (B) reduce the rate of interest on the Notes of such Lender, any fee or any other monetary amount payable to that Lender, or (C) reduce the amount of any installment of principal due under the Notes of that Lender.

(f) Notwithstanding anything in this Section to the contrary, the rights of the Lenders to make assignment of, and grant participations in, their Pro Rata Share of the Commitment shall be subject to the approval of any Gaming Board, to the extent required by applicable Gaming Laws.

(g) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC") of such Granting Lender, identified as such in writing from time to time by the Granting Lender to the Administrative Agent, Parent and the Borrowers, the option to provide to the Borrowers all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrowers pursuant to Sections 2.1, 2.2 or 2.3, provided that (i) nothing herein shall constitute a commitment to make any Loan by any SPC and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms

hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by the Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the related Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States or any State thereof, PROVIDED THAT the Granting Lender for each SPC hereby agrees to indemnify, save, and hold harmless each other party hereto for any loss, cost, damage and expense arising out of their inability to institute any such proceeding against its SPC. In addition, notwithstanding anything to the contrary contained in this Section 11.8, any SPC may (i) with notice to, but without the prior written consent of, Parent, the Borrowers or the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to its Granting Lender or to any financial institutions providing liquidity and/or credit facilities to or for the account of such SPC to fund the Loans made by such SPC or to support the securities (if any) issued by such SPC to fund such Loans (but nothing contained herein shall be construed in derogation of the obligation of the Granting Lender to make Loans hereunder), PROVIDED THAT neither the consent of the SPC or of any such assignee shall be required for amendments or waivers of provisions of the Loan Documents except for those amendments or waivers for which the consent of participants is required under Section 11.8(e)(vi), and (ii) disclose on a confidential basis (in the same manner described in Section 11.13) any non-public information relating to its Loans to any rating

agency, commercial paper dealer or provider of a surety, guarantee or credit or liquidity enhancement to such SPC.

11.9 SHARING OF SETOFFS. Each Lender severally agrees that if it, through the exercise of any right of setoff, banker's lien or counterclaim against Parent, any Borrower, or otherwise, receives payment of the Obligations held by it that is ratably more than any other Lender, through any means, receives in payment of the Obligations held by that Lender, then, subject to applicable Laws: (a) The Lender exercising the right of setoff, banker's lien or counterclaim or otherwise receiving such payment shall purchase, and shall be deemed to have simultaneously purchased, from the other Lender a participation in the Obligations held by the other Lender and shall pay to the other Lender a purchase price in an amount so that the share of the Obligations held by each Lender after the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment shall be in the same proportion that existed prior to the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment; and (b) Such other adjustments and purchases of participations shall be made from time to time as shall be equitable to ensure that all of the Lenders share any payment obtained in respect of the Obligations ratably in accordance with each Lender's share of the Obligations immediately prior to, and without taking into account, the payment; PROVIDED that, if all or any portion of a disproportionate payment obtained as a result of the exercise of the right of setoff, banker's lien, counterclaim or otherwise is thereafter recovered from the purchasing Lender by Parent, Borrowers or any Person claiming through or succeeding to the rights of Parent or Borrowers, the purchase of a participation shall be rescinded and the purchase price thereof shall be restored to the extent of the recovery, but without interest. Each Lender that purchases a participation in the Obligations pursuant to this Section shall from and after the purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased. Parent and each Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in an Obligation so purchased may exercise any and all rights of setoff, banker's lien or counterclaim with respect to the participation as fully as if the Lender were the original owner of the Obligation purchased.

11.10 INDEMNITY BY PARENT AND BORROWERS. Parent and each Borrower jointly and severally (but as between Parent and Borrowers, ratably) agrees to indemnify, save and hold harmless each of the Creditors and the Arranger and their Affiliates, directors, officers, agents, attorneys and employees (collectively the "INDEMNITEES") from and against: (a) Any and all claims, demands, actions or causes of action (EXCEPT a claim, demand, action, or cause of action for any amount excluded from the definition of "Taxes" in Section 3.11(d)) arising out of or in connection with this Agreement, the transactions contemplated hereby or, the use or contemplated use of proceeds of any Loan, or

the relationship of Parent, Borrowers and the Creditors under this Agreement; (b) Any administrative or investigative proceeding by any Governmental Agency arising out of or related to a claim, demand, action or cause of action described in clause (a) above; and (c) Any and all liabilities, losses, costs or expenses (INCLUDING attorneys' fees and the allocated costs of attorneys employed by any Indemnitee

and disbursements of such attorneys and other professional services) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action or cause of action; PROVIDED that no Indemnitee shall be entitled to indemnification for any loss caused by its own gross negligence or willful misconduct or for any loss asserted against it by another Indemnitee. If any claim, demand, action or cause of action is asserted against any Indemnitee, such Indemnitee shall promptly notify Parent and Borrowers, but the failure to so promptly notify Parent or Borrowers shall not affect Parent's and Borrowers' obligations under this Section unless such failure materially prejudices Parent's or Borrowers' right to participate in the contest of such claim, demand, action or cause of action, as hereinafter provided. Such Indemnitee may (and shall, if requested by Parent and the Borrowers in writing) contest the validity, applicability and amount of such claim, demand, action or cause of action and shall permit Parent and the Borrowers to participate in such contest. Any Indemnitee that proposes to settle or compromise any claim or proceeding for which Parent or the Borrowers may be liable for payment of indemnity hereunder shall give Parent and the Borrowers written notice of the terms of such proposed settlement or compromise reasonably in advance of settling or compromising such claim or proceeding and shall obtain Parent's and the Borrowers' prior consent (which shall not be unreasonably withheld). In connection with any claim, demand, action or cause of action covered by this Section against more than one Indemnitee, all such Indemnitees shall be represented by the same legal counsel (which may be a law firm engaged by the Indemnitees or attorneys employed by an Indemnitee or a combination of the foregoing) selected by the Indemnitees; PROVIDED, that if such legal counsel determines in good faith that representing all such Indemnitees would or could result in a conflict of interest under Laws or ethical principles applicable to such legal counsel or that a defense or counterclaim is available to an Indemnitee that is not available to all such Indemnitees, then to the extent reasonably necessary to avoid such a conflict of interest or to permit unqualified assertion of such a defense or counterclaim, each Indemnitee shall be entitled to separate representation, with all such legal counsel using reasonable efforts to avoid unnecessary duplication of effort by counsel for all Indemnitees; and FURTHER PROVIDED that the Administrative Agent (as an Indemnitee) shall at all times be entitled to representation by separate legal counsel (which may be a law firm or attorneys employed by the Administrative Agent or a combination of the foregoing). Any obligation or liability of the Parent and the Borrowers to any Indemnitee under this Section shall survive the expiration or termination of this Agreement and the repayment of all Loans and the payment and performance of all other Obligations owed to the Lenders.

11.11 NONLIABILITY OF THE LENDERS. Parent and each Borrower acknowledges and agrees that:

(a) Any inspections of any Property of Parent or its Subsidiaries made by or through the Creditors are solely for purposes of administration of this Agreement and Parent and the Borrowers are not entitled to rely upon the same (whether or not such inspections are at the expense of Parent and the Borrowers);

(b) By accepting, furnishing or approving anything required to be observed, performed, fulfilled or given to the Creditors pursuant to the Loan

Documents, none of the Creditors shall be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance, furnishing or approval thereof shall not constitute a warranty or representation to anyone with respect thereto by the Creditors;

(c) The relationship among Parent, the Borrowers and the Creditors is, and shall at all times remain, solely that of borrowers, guarantors and lenders; none of the Creditors shall under any circumstance be construed to be partners or joint venturers of Parent, Borrowers or their Affiliates; none of the Creditors shall under any circumstance be deemed to be in a relationship of confidence or trust or a fiduciary

relationship with Parent or its Affiliates, or to owe any fiduciary duty to Parent or its Affiliates; none of the Creditors undertakes or assumes any responsibility or duty to Parent or its Affiliates to select, review, inspect, supervise, pass judgment upon or inform Parent or its Affiliates of any matter in connection with their Property or the operations of Parent or its Affiliates; Parent and its Affiliates shall rely entirely upon their own judgment with respect to such matters; and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by the Creditors in connection with such matters is solely for the protection of the Creditors and neither Parent, the Borrowers nor any other Person is entitled to rely thereon; and

(d) The Creditors shall not be responsible or liable to any Person for any loss, damage, liability or claim of any kind relating to injury or death to Persons or damage to Property caused by the actions, inaction or negligence of Parent and/or its Affiliates and Parent and each Borrower hereby indemnifies and holds the Creditors harmless from any such loss, damage, liability or claim.

11.12 NO THIRD PARTIES BENEFITED. This Agreement is made for the purpose of defining and setting forth certain obligations, rights and duties of Parent, the Borrowers and the Creditors in connection with the Loans, and is made for the sole benefit of Parent, the Borrowers, the Creditors, and the Creditors' successors and assigns, and, subject to Section 6.1 successors to Borrowers by permitted merger. EXCEPT as provided in Sections 11.8 and 11.10, no other Person shall have any rights of any nature hereunder or by reason hereof.

11.13 CONFIDENTIALITY. Each Creditor agrees to hold any confidential information that it may receive from Parent and its Subsidiaries pursuant to this Agreement in confidence, EXCEPT for disclosure: (a) To Affiliates of that Creditor and to other Creditors; (b) To legal counsel and accountants for Parent and its Subsidiaries or any Creditor; (c) To other professional advisors to Parent and its Subsidiaries or any Creditor, provided that the recipient has accepted such information subject to a confidentiality agreement substantially similar to this Section 11.13 or has notified such professional advisors of the confidentiality of such information; (d) To regulatory officials having jurisdiction over that Creditor; (e) To any Gaming Board having regulatory jurisdiction over Parent or its Subsidiaries, provided that

each Lender agrees to use its best efforts to notify Parent and the Borrowers of any such disclosure unless prohibited by applicable Laws; (f) As required by Law or legal process (PROVIDED THAT the relevant Creditor shall endeavor, to the extent it may do so under applicable Law, to give Parent and the Borrowers reasonable prior notice thereof to allow Parent and the Borrowers to seek a protective order) or in connection with any legal proceeding to which that Creditor, Parent and any Borrower are adverse parties; and (g) To another financial institution in connection with a disposition or proposed disposition to that financial institution of all or part of that Creditor's interests hereunder or a participation interest in its Notes, provided that the recipient has accepted such information subject to a confidentiality agreement substantially similar to this Section. For purposes of the foregoing, "confidential information" shall mean any information respecting Parent or its Subsidiaries reasonably considered by Parent and the Borrowers to be confidential, OTHER THAN (i) information previously filed with any Governmental Agency and available to the public, (ii) information previously published in any public medium from a source other than, directly or indirectly, that Lender, and (iii) information previously disclosed to any Person not associated with Parent or its Affiliates without a confidentiality agreement substantially similar to this Section. Nothing in this Section shall be construed to create or give rise to any fiduciary duty on the part of any Creditor to Parent or the Borrowers.

11.14 REMOVAL OF A LENDER. Parent and the Borrowers shall have the right to remove a Lender as a party to this Agreement pursuant to this Section in the event that such Lender (a) refuses to consent to an extension of the Maturity Date requested by Parent and the Borrowers in accordance with Section 2.8 which has been consented to by Lenders holding Pro Rata Share equal to or greater than 66 2/3% of the Commitment, or (b) requests compensation under Section 3.6 or Section 3.7 which has not been requested by all other Lenders, in each case by written notice to the Administrative Agent and such Lender within 60 days following any such refusal or request or (c) refuses to consent to certain proposed changes, waivers, modifications, supplements, terminations, waivers or consents with respect to this Agreement which have been approved by the Required Lenders as provided in Section 11.2, PROVIDED that no Default or Event of Default then exists, or (d) is the subject of a Disqualification. If Parent and the Borrowers are entitled to remove a Lender pursuant to this Section either:

(a) The Lender being removed shall within five Business Days after such notice execute and deliver an Assignment Agreement covering that Lender's Pro Rata Share in favor of one or more Eligible Assignees designated by Parent and the Borrowers and reasonably acceptable to the Administrative Agent, subject to payment of a purchase price by such Eligible Assignee equal to all principal and accrued interest, fees and other amounts payable to such Lender under this Agreement through the date of the Assignment Agreement; or

(b) Parent and the Borrowers may reduce the Commitment pursuant to Section 2.4 (and, for this purpose, the numerical requirements of such Section shall not apply) by an amount equal to that Lender's Pro Rata Share, pay and provide to such Lender the amount required by clause (a) above and release such Lender from its

Pro Rata Share (subject, however, to the requirement that all conditions set forth in Section 8.2 are met as of the date of such reduction), in which case the percentage Pro Rata Shares of the remaining Lenders shall be ratably increased (but without any increase in the Dollar amount of the Pro Rata Shares of such Lenders).

11.15 FURTHER ASSURANCES. Parent and its Subsidiaries shall, at their expense and without expense to the Creditors, do, execute and deliver such further acts and documents as any Creditor from time to time reasonably requires for the assuring and confirming unto the Creditors of the rights hereby created or intended now or hereafter so to be, or for carrying out the intention or facilitating the performance of the terms of any Loan Document.

11.16 INTEGRATION. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and supersedes all prior agreements, written or oral, on the subject matter hereof. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control and govern; PROVIDED that the inclusion of supplemental rights or remedies in favor of the Creditors in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

11.17 GOVERNING LAW. EXCEPT to the extent otherwise provided therein, each Loan Document shall be governed by, and construed and enforced in accordance with, the local Laws of California, without regard to the choice of laws or conflicts of laws principles thereof.

11.18 SEVERABILITY OF PROVISIONS. Any provision in any Loan Document that is held to be inoperative, unenforceable or invalid as to any party or in any jurisdiction shall, as to that party or jurisdiction, be inoperative, unenforceable or invalid without affecting the remaining provisions or the operation, enforceability or validity of that provision as to any other party or in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

11.19 HEADINGS. Article and Section headings in this Agreement and the other Loan Documents are included for convenience of reference only and are not part of this Agreement or the other Loan Documents for any other purpose.

11.20 TIME OF THE ESSENCE. Time is of the essence of the Loan Documents.

11.21 FOREIGN LENDERS AND PARTICIPANTS. Each Lender, and each holder of a participation interest herein, that is incorporated under the Laws of a jurisdiction other than the United States of America or any state thereof shall deliver to Parent (with a copy to the Administrative Agent), within twenty days after the Closing Date (or after accepting an Assignment Agreement or receiving a participation interest herein pursuant to Section 11.8, if applicable) two duly completed copies, signed by a Responsible Official, of either Form 1001

(relating to such Person and entitling it to a complete exemption from withholding on all payments to be made to such Person by Parent and the Borrowers pursuant to this Agreement) or Form 4224 (relating to all payments to be made to such Person by Parent and the Borrowers pursuant to this Agreement) of the United States Internal Revenue Service or such other evidence (INCLUDING,

if reasonably necessary, Form W-9) satisfactory to Parent and the Borrowers and the Administrative Agent that no withholding under the federal income tax laws is required with respect to such Person. Thereafter and from time to time, each such Person shall (a) promptly submit to Parent (with a copy to the Administrative Agent), such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to Parent and the Borrowers and the Administrative Agent of any available exemption from, United States withholding taxes in respect of all payments to be made to such Person by Parent and the Borrowers pursuant to this Agreement and (b) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Eurodollar Lending Office, if any) to avoid any requirement of applicable laws that Parent or the Borrowers make any deduction or withholding for taxes from amounts payable to such Person.

11.22 GAMING BOARDS. The Creditors agree to cooperate with all Gaming Boards in connection with the administration of their regulatory jurisdiction over Parent and its Subsidiaries, INCLUDING the provision of such documents or other information as may be requested by any such Gaming Board relating to Parent or any of its Subsidiaries or to the Loan Documents.

11.23 NATURE OF THE BORROWERS' OBLIGATIONS. The Company hereby agrees that it shall be liable for all of the Obligations on a joint and several basis, notwithstanding which of the Borrowers may have directly received the proceeds of any particular Loan or Advance. Notwithstanding anything to the contrary set forth herein, the principal liability of Marina and each Borrower hereafter designated under Section 2.6 for Loans shall be limited to Loans made to that Borrower under the Aggregate Sublimit of that Borrower. Each of the Borrowers acknowledges and agrees that, for purposes of the Loan Documents, Parent and its Subsidiaries constitute a single integrated financial enterprise and that each receives a benefit from the availability of credit under this Agreement. Borrowers each waive all defenses arising under the Laws of suretyship, to the extent such Laws are applicable, in connection with their obligations under this Agreement. Without limiting the foregoing, each Borrower agrees to the Joint Borrower Provisions set forth in Exhibit H, incorporated by this reference.

11.24 DESIGNATED SENIOR DEBT. Parent and each Borrower hereby irrevocably designate the Obligations and this Agreement as "Designated Senior Indebtedness" and "Senior Indebtedness" within the meanings given to those terms in Section 1.1 of the Supplemental Indenture dated December 9, 1998 entered into with respect to the Existing Subordinated Debt among the Company, Parent and IBJ Schroeder Bank & Trust Company.

11.25 GAMING REGULATIONS. Each party to this Agreement hereby acknowledges that the consummation of the transactions contemplated by the Loan Documents is subject to applicable Gaming Laws (and Parent and Borrower represent and warrant that all requisite approvals necessary thereunder to enter into the transactions contemplated hereby have been duly obtained).

11.26 WAIVER OF RIGHT TO TRIAL BY JURY. EACH SIGNATORY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE SIGNATORIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND EACH SIGNATORY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY SIGNATORY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

11.27 PURPORTED ORAL AMENDMENTS. PARENT AND EACH BORROWER EXPRESSLY ACKNOWLEDGE THAT THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS MAY ONLY BE AMENDED OR MODIFIED, OR THE PROVISIONS HEREOF OR THEREOF WAIVED OR SUPPLEMENTED, BY AN INSTRUMENT IN WRITING THAT COMPLIES WITH SECTION 11.2. PARENT AND EACH BORROWER AGREES THAT IT WILL NOT RELY ON ANY COURSE OF DEALING, COURSE OF PERFORMANCE, OR ORAL OR WRITTEN STATEMENTS BY ANY REPRESENTATIVE OF ANY OF THE CREDITORS THAT DOES NOT COMPLY WITH SECTION 11.2 TO EFFECT AN AMENDMENT, MODIFICATION, WAIVER OR SUPPLEMENT TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

HARRAH'S ENTERTAINMENT, INC.

By:

Charles L. Atwood, Vice President and Treasurer

HARRAH'S OPERATING COMPANY, INC.

By:

Charles L. Atwood, Vice President and Treasurer

MARINA ASSOCIATES

By: Harrah's New Jersey, Inc., general partner

By:_____
Charles L. Atwood, authorized signatory

By: Harrah's Atlantic City, Inc., general partner

By:_____
Charles L. Atwood, authorized signatory

Address for notices for Parent and each Borrower:
1 Harrah's Court
Las Vegas NV 89119-4312
Attn: Charles L. Atwood, Vice President and Treasurer
Telecopier: (702) 407-6405
Telephone: (702) 407-6406

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

By: _____
Janice Hammond, Vice President

Address:
Bank of America, N.A.
555 South Flower Street, 11th Floor
Los Angeles, California 90071
Attn: Janice Hammond
Telecopier: (213) 228-2299
Telephone: (213) 228-9861

BANK OF AMERICA, N.A. as a Lender

By: _____
Scott Faber, Managing Director

Address:
Bank of America, N.A.
555 South Flower Street, #3283
Los Angeles, California 90071
Attn: Scott Faber, Managing Director
Telecopier: (213) 228-3145
Telephone: (213) 228-2768

With a copy to:
Bank of America, N.A.
555 South Flower Street (LA-5777)
Los Angeles, California 90071
Attn: William Newby, Managing Director
Telecopier: (213) 228-3145
Telephone: (213) 228-2438

THE BANK OF NEW YORK

By: _____

Title: _____

Address for notices:

The Bank of New York
One Wall Street, 22nd Floor
New York, New York 10005
Attn.: _____
Facsimile: (212) _____
Telephone: (212) _____

THE BANK OF NOVA SCOTIA

By: _____

Title: _____

Address for notices:

The Bank of Nova Scotia
Atlanta Agency
Suite 2700
600 Peachtree Street, N.E.
Atlanta, Georgia 30308
Attn.: Arnetta Wilford
Facsimile: (404) 888-8998
Telephone: (404) 877-1574

BANKERS TRUST COMPANY

By: _____

Title: _____

By: _____

Title: _____

Address for notices:

Bankers Trust Company
130 Liberty Street
New York, New York 10006
Attn.: _____
Facsimile: (___) _____
Telephone: (___) _____

CIBC INC.

By: _____

Title: _____

Address for notices:

CIBC World Markets Corp.
Two Paces West
2727 Paces Ferry Road, Suite 1200
Atlanta, Georgia 30339
Attn.: Sherry Hanamean
Facsimile: (770) 319-4955
Telephone: (770) 319-4856

With a copy to:

CIBC World Markets Corp.
350 South Grand Avenue, Suite 2600
Los Angeles, California 90071
Attention: Leonardo Fernandez
Facsimile: (213) 346-0157
Telephone: (213)617-6249

CITICORP USA, INC.

By: _____

Title: _____

Address for domestic notices:

Citicorp USA, Inc.
_____
_____
Attn.: _____
Facsimile: (____) _____
Telephone: (____) _____

Address for eurodollar notices:

Citicorp USA, INC.

_____

_____

Attn.: _____

Facsimile: (____) _____

Telephone: (____) _____

COMERICA WEST INCORPORATED

By: _____

Eoin P. Collins
Account Officer

Address for notices:

Comerica West Incorporated
3980 Howard Hughes Parkway, Suite 350
Las Vegas, Nevada 89109
Attn.: Regina C. McGuire
Facsimile: (702) 791-2371
Telephone: (702) 791-4804

COMMERZBANK AG, NEW YORK AND GRAND CAYMAN BRANCHES

By: _____

Title: _____

By: _____

Title: _____

Address for notices:

Commerzbank AG - Los Angeles Branch
633 West Fifth Street, Suite 6600
Los Angeles, California 90071
Attn.: Werner Schmidbauer
Facsimile: (213) 623-0039
Telephone: (213) 623-8223

CREDIT SUISSE FIRST BOSTON

By: _____

Title: _____

By: _____

Title: _____

Address for domestic notices:

Credit Suisse First Boston
_____
_____
Attn.: _____
Facsimile: (____) _____
Telephone: (____) _____

Address for eurodollar notices:

Credit Suisse First Boston
_____
_____
Attn.: _____
Facsimile: (____) _____
Telephone: (____) _____

THE DAI-ICHI KANGYO BANK, LTD.

By: _____

Title: _____

Address for notices:

The Dai-Ichi Kangyo Bank, Ltd.
One World Trade Center, Suite 4911
New York, New York 10048
Attn.: Chimie T. Pemba, Account Officer
Facsimile: (212) 912-1879
Telephone: (212) 432-8845

E. SUN COMMERCIAL BANK, LTD., LOS ANGELES BRANCH

By: _____

Title: _____

Address for notices:

E. Sun Commercial Bank, Ltd., Los Angeles Branch
17700 Castleton Street, Suite 500
City of Industry, California 91748
Attn.: Teddy Mou, Sr. AVP
Facsimile: (626) 839-5531
Telephone: (626) 810-2400 ext. 226

FIRST TENNESSEE BANK NATIONAL ASSOCIATION

By: _____

Title: _____

Address for notices:

First Tennessee Bank National Association
165 Madison Avenue, 9th Floor
Memphis, Tennessee 38103-2723
Attn.: James H. Moore, Jr., Vice President
Facsimile: (901) 523-4267
Telephone: (901) 523-4108

FLEET NATIONAL BANK

By: _____

Title: _____

Address for notices:

Fleet National Bank
3670 Route 9 South
Freehold, New Jersey 07728
Attn.: John F. Cullinan, Senior Vice President
Facsimile: (732) 780-0754
Telephone: (732) 294-4282

THE FUJI BANK, LIMITED

By: _____

Title: _____

Address for domestic notices:

The Fuji Bank, Limited
_____
_____
Attn.: _____
Facsimile: (____) _____
Telephone: (____) _____

Address for eurodollar notices:

The Fuji Bank, Limited
_____
_____
Attn.: _____
Facsimile: (____) _____
Telephone: (____) _____

HIBERNIA NATIONAL BANK

By: _____

Title: _____

Address for domestic notices:

Hibernia National Bank
_____
_____
Attn.: _____
Facsimile: (____) _____
Telephone: (____) _____

Address for eurodollar notices:

Hibernia National Bank

_____
_____
Attn.: _____
Facsimile: (____) _____
Telephone: (____) _____

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By: _____

Title: _____

Address for notices:

The Industrial Bank of Japan, Limited, Atlanta Agency
1251 Avenue of the Americas
New York, New York 10020
Attn.: Nelson Rojas
Facsimile: (212) 282-4480
Telephone: (212) 282-4064

KEYBANK NATIONAL ASSOCIATION

By: _____

Title: _____

Address for domestic notices:

KeyBank National Association
_____
_____
Attn.: _____
Facsimile: (____) _____
Telephone: (____) _____

Address for eurodollar notices:

KeyBank National Association
_____
_____
Attn.: _____
Facsimile: (____) _____
Telephone: (____) _____

SOCIETE GENERALE

By: _____
Thomas K. Day, Managing Director

Address for notices:

Societe Generale
Four Embarcadero Center, Suite 1200
San Francisco, California 94111
Attn.: Mary D. Brickley
Facsimile: (415) 989-9922
Telephone: (415) 646-7328

WELLS FARGO BANK, N.A.

By: _____

Title: _____

By: _____

Title: _____

Address for notices:

Wells Fargo Bank, N.A.
5340 Kietzke Lane, Suite 201
Reno, Nevada 89501
Attn.: Sue Fuller, Vice President
Facsimile: (775) 689-6026

Telephone: (775) 689-6005

BNP PARIBAS

By: _____

Title: _____

By: _____

Title: _____

Address for notices:

BNP PARIBAS
725 South Figueroa Street, Suite 2090
Los Angeles, CA 90017-5420
Attn.: Janice S. H. Ho, Director
Facsimile: (213) 488-9602
Telephone: (213) 488-9120

U.S. BANK NATIONAL ASSOCIATION

By: _____

Title: _____

Address for notices:

U.S. Bank National Association
_____
_____
Attn.: _____
Facsimile: (____) _____
Telephone: (____) _____

FIRST HAWAIIAN BANK

By: _____

Title: _____

Address for notices:

First Hawaiian Bank
999 Bishop Street, 11th Floor
Honolulu, Hawaii 96813
Attn.: Brenda K. L. Deakins

Facsimile: (808) 525-5085
Telephone: (808) 525-8100

EXHIBIT A

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT ("Agreement") dated as of _____, _____ is made with reference to that certain Amended and Restated 364-Day Loan Agreement dated as of April 26, 2001 (as amended from time to time, the "Loan Agreement") by and among Harrah's Entertainment, Inc., a Delaware corporation, as Guarantor, Harrah's Operating Company, Inc., a Delaware corporation, Marina Associates, a New Jersey general partnership (each a "Borrower" and collectively, the "Borrowers"), the Lenders therein named, (collectively, the "Lenders" and individually, a "Lender") and Bank of America, N.A., as Administrative Agent and is entered into between the "Assignor" described below, in its capacity as a Lender under the Loan Agreement, and the "Assignee" described below.

Assignor and Assignee hereby represent, warrant and agree as follows:

1. DEFINITIONS. Capitalized terms defined in the Loan Agreement are used herein with the meanings set forth for such terms in the Loan Agreement. As used in this Agreement, the following capitalized terms shall have the meanings set forth below:

"ASSIGNEE" means _____.

"ASSIGNED PRO RATA SHARE" means _____% of the Commitment of the Lenders under the Loan Agreement which equals $_____.

"ASSIGNOR" means _____

"EFFECTIVE DATE" means _____, _____, the effective date of this Agreement determined in accordance with Section 11.8 of the Loan Agreement.

2. REPRESENTATIONS AND WARRANTIES OF THE ASSIGNOR. The Assignor represents and warrants to the Assignee as follows:

a. As of the date hereof, the Pro Rata Share of the Assignor is _____% of the Commitment (without giving effect to assignments thereof which have not yet become effective). The Assignor is the legal and beneficial owner of the Assigned Pro Rata Share and the Assigned Pro Rata Share is free and clear of any adverse claim.

b. As of the date hereof, the outstanding principal balance of Advances made by the Assignor under the Assignor's Note is $_____, and Assignor's ratable participation in outstanding Letters of Credit is $_____.

c. The Assignor has full power and authority, and has taken all action necessary, to execute and deliver this Agreement and any and all other documents required or permitted to be executed or delivered by it in connection with this Agreement and to fulfill its obligations under, and to consummate the transactions contemplated by, this Agreement, and no governmental authorizations or other authorizations are required in connection therewith; and

d. This Agreement constitutes the legal, valid and binding obligation of the Assignor.

The Assignor makes no representation or warranty and assumes no responsibility with respect to the financial condition of each Borrower or the performance by each Borrower of the Obligations, and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or the execution, legality, validity, enforceability, genuineness, or sufficiency of the Loan Agreement or any Loan Document other than as expressly set forth above.

3. REPRESENTATIONS AND WARRANTIES OF THE ASSIGNEE. The Assignee

hereby represents and warrants to the Assignor as follows:

(a) The Assignee has full power and authority, and has taken all action necessary, to execute and deliver this Agreement, and any and all other documents required or permitted to be executed or delivered by it in connection with this Agreement and to fulfill its obligations under, and to consummate the transactions contemplated by, this Agreement, and no governmental authorizations or other authorizations are required in connection therewith;

(b) This Agreement constitutes the legal, valid and binding obligation of the Assignee;

(c) The Assignee has independently and without reliance upon the Administrative Agent or Assignor and based on such documents and information as the Assignee has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. The Assignee will, independently and without reliance upon the Administrative Agent or any Lender, and based upon such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Agreement;

(d) The Assignee has received copies of such of the Loan Documents delivered pursuant to Section 8.1 of the Loan Agreement as it has requested, together with copies of the most recent financial statements delivered pursuant to Section 7.1 of the Loan Agreement;

(e) The Assignee will perform in accordance with their respective terms all of the obligations which by the terms of the Loan Agreement are required to be performed by it as a Lender; and

(f) The Assignee is an Eligible Assignee.

4. ASSIGNMENT. On the terms set forth herein, the Assignor, as of the Effective Date, hereby irrevocably sells, assigns and transfers to the Assignee all of the rights and obligations of the Assignor under the Loan Agreement, the other Loan Documents and the Assignor's Note to the extent of the Assigned Pro Rata Share, and the Assignee irrevocably accepts such assignment of rights and assumes such obligations from the Assignor on such terms and effective as of the Effective Date. As of the Effective Date, the Assignee shall have the rights and obligations of a "Lender" under the Loan Documents, except to the extent of any arrangements with respect to payments referred to in Section 5 hereof. Assignee hereby appoints and authorizes the Administrative Agent to take such action and to exercise such powers under the Loan Agreement as are delegated to the Administrative Agent by the Loan Agreement.

5. PAYMENT. On the Effective Date, the Assignee shall pay to the Assignor, in immediately available funds, an amount equal to the purchase price of the Assigned Pro Rata Share, as agreed between the Assignor and the Assignee pursuant to a letter agreement of even date herewith. Such letter agreement also sets forth the agreement between the Assignor and the Assignee with respect to the amount of interest, fees, and other payments with respect to the Assigned Pro Rata Share which are to be retained by the Assignor. Assignee shall also pay to the Administrative Agent an assignment fee of $3,500 in accordance with Section 11.8 of the Loan Agreement.

The Assignor and the Assignee hereby agree that if either receives any payment of interest, principal, fees or any other amount under the Loan Agreement, their respective Notes or any other Loan Documents which is for the account of the other, it shall hold the same in trust for such party to the extent of such party's interest therein and shall promptly pay the same to such party.

6. PRINCIPAL, INTEREST, FEES, ETC. Any principal that would be payable and any interest, fees and other amounts that would accrue from and after the Effective Date to or

for the account of the Assignor pursuant to the Loan Agreement and the Note shall be payable to or for the account of the Assignor and the Assignee, in accordance with their respective interests as adjusted pursuant to this Agreement.

7. NOTES. The Assignor and the Assignee shall make appropriate arrangements with each Borrower concurrently with the execution and delivery

hereof so that replacement Notes are issued to the Assignor and new Notes are issued to the Assignee, in each case in principal amounts reflecting their Pro Rata Shares of the Commitment or their outstanding Advances (as adjusted pursuant to this Agreement).

8. FURTHER ASSURANCES. Concurrently with the execution of this Agreement, the Assignor shall execute two counterpart original Requests for Registration, in the form of Exhibit A to this Agreement, to be forwarded to the Administrative Agent. The Assignor and the Assignee further agree to execute and deliver such other instruments, and take such other action, as either party may reasonably request in connection with the transactions contemplated by this Agreement, and the Assignor specifically agrees to cause the delivery of (i) two original counterparts of this Agreement and (ii) the Request for Registration, to the Administrative Agent for the purpose of registration of the Assignee as a "Lender" pursuant to Section 11.8 of the Loan Agreement.

9. GOVERNING LAW. THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACTUAL OBLIGATION UNDER, AND SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LOCAL LAWS OF THE STATE OF CALIFORNIA. FOR ANY DISPUTE ARISING IN CONNECTION WITH THIS AGREEMENT, THE ASSIGNEE HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF CALIFORNIA.

10. NOTICES. All communications among the parties or notices in connection herewith shall be in writing, hand delivered or sent by registered airmail, postage prepaid, or by telex, telegram or cable, addressed to the appropriate party at its address set forth on the signature pages hereof. All such communications and notices shall be effective upon receipt.

11. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; provided, however, that the Assignee shall not assign its rights or obligations under this Agreement without the prior written consent of the Assignor and any purported assignment, absent such consent, shall be void. Nothing contained in this Section shall restrict the assignment by Assignee of its rights under the Loan Documents following the Effective Date.

12. INTERPRETATION. The headings of the various sections hereof are for convenience of reference only and shall not affect the meaning or construction of any provision hereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their respective officials, officers or agents thereunto duly authorized as of the date first above written.

"Assignor"

By:_____

Its:_____

Address:_____
_____
_____
Telephone: _____
Telecopier:_____

"Assignee"

By:_____

Its:_____

Address:_____

_____
_____
Telephone: _____
Telecopier:_____

EXHIBIT A TO ASSIGNMENT AGREEMENT

REQUEST FOR REGISTRATION

To: Bank of America, N.A., as Administrative Agent, and Harrah's Entertainment, Inc., Harrah's Operating Company, Inc. and Marina Associates

THIS REQUEST FOR REGISTRATION OF ASSIGNEE ("Request") is made as of the date of the enclosed Assignment Agreement with reference to that certain 364-Day Loan Agreement, dated as of April 26, 2001 by and among Harrah's Entertainment, Inc., a Delaware corporation, as Guarantor, Harrah's Operating Company, Inc., a Delaware corporation, Marina Associates, a New Jersey general partnership (each a "Borrower" and collectively, the "Borrowers"), the Lenders therein named, (collectively, the "Lenders" and individually, a "Lender") and Bank of America N.A., as Administrative Agent (as amended as of the date hereof, the "Loan Agreement").

The Assignor and Assignee described below hereby request that Administrative Agent register the Assignee as a Lender pursuant to Section 11.8 of the Loan Agreement effective as of the Effective Date described in the Assignment Agreement.

Enclosed with this Request are two counterpart originals of the Assignment Agreement as well as the original Notes of each Borrower in favor of the Assignor in the principal amount of $_____. The Assignor and Assignee hereby jointly request that Administrative Agent cause each Borrower to issue replacement Notes, dated as of the Effective Date, pursuant to Section 11.8 of the Loan Agreement in favor of Assignor in the principal amount of the remainder of its Pro Rata Share of the Commitment and new Notes in favor of the Assignee in the amount of the Assigned Pro Rata Share.

IN WITNESS WHEREOF, the Assignor and Assignee have executed this Request for Registration by their duly authorized officers as of _____, _____.

"Assignor"	"Assignee"
- ----------	----------
By:_____	By:_____
Its: _____	Its: _____

CONSENT OF ADMINISTRATIVE AGENT AND BORROWERS

[WHEN REQUIRED PURSUANT TO LOAN AGREEMENT]

TO: The Assignor and Assignee referred to in the above Request for Registration

When countersigned by each Borrower and Administrative Agent below, this document shall certify that:

[ ] [WHEN REQUIRED PURSUANT TO SECTION 11.8(b)(i) OF THE Loan Agreement:]

[1.] Borrowers have consented, pursuant to the terms of the Loan Documents, to the assignment by the Assignor to the Assignee of the Assigned Pro Rata Share.

[2.] Administrative Agent has registered the Assignee as a Lender under the Loan Agreement, effective as of the Effective Date described above, with a Pro Rata Share of the Commitment corresponding to the Assigned Pro Rata Share and has adjusted the registered Pro Rata Share of the Commitment of the Assignor to reflect the assignment of the Assigned Pro Rata Share.

Approved:

Harrah's Entertainment, Inc.

By:_____

Its:_____

Harrah's Operating Company, Inc.

By:_____

Its:_____

Marina Associates

By: Harrah's New Jersey, Inc., general partner

By: _____

Its: _____

By: Harrah's Atlantic City, Inc., general partner

By: _____

Its: _____

Bank of America, N.A.,
as Administrative Agent

By:_____

Its:_____

EXHIBIT B

COMPLIANCE CERTIFICATE

This Compliance Certificate (this "Certificate") is executed and delivered by the undersigned to Bank of America, N.A., as Agent (the "Agent"), pursuant to the Loan Agreements referred to below to induce the Lenders described in the Loan Agreements to make certain credit facilities available to Harrah's Operating Company, Inc., a Delaware corporation (the "Company") and Marina Associates, a New Jersey general partnership ("Marina"; Marina and the Company, each a "Borrower" and collectively with the other parties from time to time a Borrower under the Loan Agreements, the "Borrowers").

This Certificate is delivered with reference to the Five Year Loan Agreement, dated as of April 30, 1999, amended as of April 3, 2000 by an Amendment No. 1 thereto, and amended as of April 26, 2001 by an Amendment No. 2 and the Amended and Restated 364-Day Loan Agreement, dated as of April 26, 2001 (as amended, supplemented or otherwise modified from time to time, collectively, the "Loan Agreements"), among the Borrowers, Harrah's Entertainment, Inc., a Delaware corporation (the "Parent") as Guarantor, the Agent and each of the several financial institutions party to the Loan Agreements. The terms defined in the Loan Agreements and not otherwise defined in this Certificate shall have the meanings defined for them in the Loan Agreements. Section references herein relate to the Loan Agreements unless stated otherwise.

This Certificate is delivered in accordance with Section 7.2 of the Loan Agreements by a Senior Officer of the Borrowers and Parent. This Certificate is delivered with respect to the Fiscal Quarter ended _____ (the "Determination Date"). Computations indicating compliance with Sections 6.5 and 6.6 of the Loan Agreements are set forth below:

1. SECTION 6.5 - TOTAL DEBT RATIO. As of the Determination Date, the Total Debt Ratio was _____:1.00.

MAXIMUM PERMITTED RATIO:	4.50:1.00
Total Debt Ratio was calculated as follows (in each case determined in accordance with GAAP):	
(a) Total Debt as of the Determination Date (as calculated on Appendix A hereto),	$_____
DIVIDED BY (b) EBITDA for the four Fiscal Quarter period ending on the Determination Date (as calculated on Appendix A hereto)	$_____
EQUALS TOTAL DEBT RATIO [(a)/(b)]	_____:1.00

2. SECTION 6.6 - INTEREST COVERAGE RATIO. As of the Determination Date, the Interest Coverage Ratio was _____:1.00.

MINIMUM PERMITTED RATIO:	3.00:1.00
INTEREST COVERAGE RATIO was computed as follows (in each case determined in accordance with GAAP):	
(a) EBITDA for the four Fiscal Quarter period ending on the Determination Date (as calculated on Appendix A hereto)	$_____
DIVIDED BY (b) Interest Expense for the same period (as calculated on Appendix A hereto)	$_____
EQUALS INTEREST COVERAGE RATIO [(a)/(b)]	$_____

3. A review of the activities of the Borrowers and each of the other Parties during the fiscal periods covered by this Certificate has been made under the supervision of the undersigned, with a view to determining whether during such fiscal periods the Borrowers and each of the other Parties performed and observed all of their respective Obligations. To the best knowledge of the undersigned, during the fiscal periods covered by this Certificate, all covenants and conditions set forth in the Loan Documents, INCLUDING, without limitation, those set forth in Articles 4, 5 and 6 of the Loan Agreements, have been so performed and observed and no Default or Event of Default has occurred and is continuing, WITH ONLY THE EXCEPTIONS set forth below (if none, so state), and in response to which the Borrowers and the other Parties have taken or propose to take the following actions (if none, so state):

_____
_____
_____

4. The undersigned Senior Officer of the Borrowers and Parent certifies that the calculations made and the information contained herein and in each Appendix delivered herewith are derived from the books and records of the Borrowers and the other Parties, as applicable, and that each and every matter contained herein and therein correctly reflects those books and records.

5. To the best knowledge of the undersigned no event or circumstance has occurred that constitutes a Material Adverse Effect since the date the most recent Compliance Certificate was executed and delivered, with the exceptions set forth below (if none, so state):

_____

_____
_____

Dated: _____, _____

By _____
Senior Officer of each Borrower and Parent

APPENDIX A
TO
COMPLIANCE CERTIFICATE

PART 1

EBITDA - COMPONENT CALCULATIONS

The calculations below relate to the period from _____ to _____ (the "Test Period" for purposes of this Part 1 of Appendix A).

EBITDA for the Test Period is calculated as follows for the Parent and its Subsidiaries on a combined basis, in each case as determined in accordance with GAAP(1):

(a) Consolidated net income of Parent and its Subsidiaries for the Test Period ("Net Income")	$_____
PLUS (b) all accrued taxes on or measured by income to the extent included in the determination of Net Income set forth in (a) above	$_____
PLUS (c) amounts treated as expenses for interest to the extent included in the determination of Net Income set forth in (a) above	$_____
PLUS (d) amounts treated as expenses for depreciation and amortization to the extent included in the determination of Net Income set forth in (a) above	$_____
PLUS (e) minority interest	$_____
PLUS (f) any extraordinary loss reflected in such Net Income	$_____
MINUS (g) any extraordinary gain reflected in such Net Income	$_____
PLUS (h) Pre-Opening Expenses during the Test Period	$_____
PLUS (i) non-recurring cash charges during the Test Period	$_____

- ----------
(1) provided that in computing EBITDA:

(a) for all periods ending on or prior to December 31, 2000, "EBITDA" shall be computed on the basis of the combined operating results of Parent and its Subsidiaries and Showboat.

(b) the operating results of each New Project which commences operations and records not less than one full fiscal quarter's operations during the relevant period shall be annualized; and

(c) EBITDA shall be adjusted, on a pro forma basis, to include the operating results of each resort or casino property acquired by Parent and its Consolidated Subsidiaries during the relevant period and to exclude the operating results of each resort or casino property sold or otherwise disposed of by Parent and its Subsidiaries, or whose operations are discontinued during the relevant period.

EQUALS EBITDA [(a)+(b)+(c)+(d)+(e)+(f)-(g)+(h)+(i)] $_____PART 2

TOTAL DEBT - COMPONENT CALCULATION

Total Debt as of the Determination Date is the SUM of the following (without duplication)(1):

(a) the outstanding principal Indebtedness of Parent and its Subsidiaries for borrowed money (INCLUDING debt securities issued by Parent or any of its Subsidiaries) on the Determination Date	$_____
PLUS (b) the aggregate amount of all Capital Lease Obligations of Parent and its Subsidiaries on the Determination Date	$_____
PLUS (c) all obligations in respect of letters of credit or other similar instruments for which Parent or any of its Subsidiaries are account parties or are otherwise obligated	$_____
PLUS (d) the aggregate amount of all Contingent Obligations and other similar contingent obligations of Parent and its Subsidiaries with respect to any of the foregoing	$_____
PLUS (e) any obligations of Parent of any of its Subsidiaries to the extent that the same are secured by a Lien on any of the assets of Parent or its Subsidiaries	$_____
EQUALS TOTAL DEBT [(a) + (b) + (c) + (d) + (e)]	$_____

- ----------

(1) provided that in computing "Total Debt," the amount of any Contingent Obligation or letter of credit shall be deemed to be zero unless and until (1) in the case of obligations in respect of letters of credit, a drawing is made with respect thereto, (2) in the case of any other Contingent Obligations, demand for payment is made with respect thereto, or (3) Parent's independent auditors have quantified the amount of Parent's and its Subsidiaries with respect to letters of credit and Contingent Obligations as liabilities on Parent's consolidated balance sheet in accordance with Generally Accepted Accounting Principles (as opposed to merely noted in the footnotes to any such balance sheet) and the amount of any such individual liability is in excess of $50,000,000, in which case the amount thereof shall be deemed to be the amount so quantified from time to time.

PART 3

INTEREST EXPENSE - COMPONENT CALCULATIONS

The calculations below relate to the period from _____ to _____ (the "Test Period" for purposes of this Part 3 of Appendix A).

Interest Expense for the Test Period is calculated as follows:

(a) all interest, fees, charges and related expenses paid or payable (without duplication) to a lender in connection with borrowed money or the deferred purchase price of assets that are considered "interest expense" under Generally Accepted Accounting Principles	$_____
plus (b) the portion of rent paid or payable (without duplication) for the Test Period under Capital Lease Obligations that should be treated as interest in accordance with Financial Accounting Standards Board	

Statement No. 13 $_____

EQUALS INTEREST EXPENSE [(a)+(b)] $_____

EXHIBIT C

NOTE

$_____ April 26, 2001

Los Angeles, California

FOR VALUE RECEIVED, the undersigned promises to pay to the order of _____ (the "Lender"), the principal amount of _____ Dollars ($_____) or such lesser aggregate amount of Advances as may be made by the Lender as part of the Loan pursuant to the Loan Agreement referred to below, together with interest on the principal amount of each Advance made hereunder as part of the Loan and remaining unpaid from time to time from the date of each such Advance until the date of payment in full, payable as hereinafter set forth.

Reference is made to the Amended and Restated 364-Day Loan Agreement dated as of April 26, 2001, by and among the undersigned, as a Borrower, the other Borrowers that are parties thereto, the Lenders therein named and Bank of America, N.A., as Administrative Agent (as amended from time to time, the "Loan Agreement"). Terms defined in the Loan Agreement and not otherwise defined herein are used herein with the meanings defined for those terms in the Loan Agreement. This is one of the Notes referred to in the Loan Agreement, and any holder hereof is entitled to all of the rights, remedies, benefits and privileges provided for in the Loan Agreement as originally executed or as it may from time to time be supplemented, modified or amended. The Loan Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events upon the terms and conditions therein specified.

The principal indebtedness evidenced by this Note shall be payable as provided in the Loan Agreement and in any event on the Maturity Date.

Interest shall be payable on the outstanding daily unpaid principal amount of Advances from the date of each such Advance until payment in full and shall accrue and be payable at the rates and on the dates set forth in the Loan Agreement both before and after default and before and after maturity and judgment, with interest on overdue principal and interest to bear interest at the rate set forth in Section 3.8 of the Loan Agreement, to the fullest extent permitted by applicable Law.

Each payment hereunder shall be made to the Administrative Agent at the Administrative Agent's Office for the account of the Lender in immediately available funds not later than 11:00 a.m., California local time, on the day of payment (which must be a

Business Day). All payments received after 11:00 a.m., California local time, on any particular Business Day shall be deemed received on the next succeeding Business Day. All payments shall be made in lawful money of the United States of America.

The Lender shall use its best efforts to keep a record of Advances made by it as part of Loans and payments received by it with respect to this Note, and such record shall, subject to Section 10.6(g) of the Loan Agreement, be presumptive evidence, absent manifest error, of the amounts owing under this Note.

The undersigned hereby promises to pay all costs and expenses of any rightful holder hereof incurred in collecting the undersigned's obligations hereunder or in enforcing or attempting to enforce any of such holder's rights hereunder, including reasonable attorneys' fees and disbursements, whether or not an action is filed in connection therewith.

The undersigned hereby waives presentment, demand for payment, dishonor, notice of dishonor, protest, notice of protest and any other notice or formality, to the fullest extent permitted by applicable Laws.

This Note shall be delivered to and accepted by the Lender in the State of California, and shall be governed by, and construed and enforced in accordance with, the local Laws thereof.

----------,
a _____

By: _____

Title:_____

SCHEDULE OF ADVANCES AND
PAYMENTS OF PRINCIPAL

Date	Amount of Advance	Interest Period	Amount of Principal Paid	Unpaid Principal Balance	Notation Made by

EXHIBIT D

April 26, 2001

To the Administrative Agents and
the Lenders party to each of
the Five Year Agreement and the
364-Day Agreement referred to below

Ladies and Gentlemen:

I am the Associate General Counsel of Harrah's Entertainment, Inc., a Delaware corporation ("Parent"), and have represented Parent, Harrah's Operating Company, Inc., a Delaware corporation (the "Company"), and Marina Associates, a New Jersey general partnership ("Marina"), in connection with (a) the Five Year Loan Agreement dated as of April 30, 1999, (as amended, the "Five

Year Agreement") , and (b) the Amended and Restated 364-Day Loan Agreement (the "364-Day Agreement") dated as of April 26, 2001, in each case among among Parent, the Company, Marina, and Bank of America N.A., as Administrative Agent. Capitalized terms used but not defined herein have the meanings assigned to them in the Five Year Agreement and the 364-Day Agreement.

You have asked me to issue this opinion in connection with the execution and delivery of the 364-Day Agreement and an Amendment No. 2 of even date herewith the Five Year Agreement (the "Amendment").

In connection herewith, I have made such legal and factual examinations and inquiries, including an examination of originals or copies certified or otherwise identified to my satisfaction as being true reproductions of originals of such documents, corporate records and other instruments, and have obtained from public officials and from officers of the Company, Parent, Marina and their respective Subsidiaries such certificates and other representations and assurances, as I have deemed necessary or appropriate for the purpose of the opinions stated below. I have examined, among other things, the following:

(a) the Amendment;

(b) the 364-Day Agreement;

(c) the Guaranty dated as of April 26, 2001 by Parent in favor of the Administrative Agent and the Lenders under the 364-Day Agreement;

(d) the Notes executed in favor of the Lenders under the 364-Day Agreement;

The documents described in subsections (a)-(d) above are referred to herein collectively as the "Documents."

I have investigated such questions of law as I have deemed necessary or appropriate for the purposes of the opinions stated herein. I am a member of the bars of the State of California and Nevada, and I am opining herein as to the effect on the subject transactions of the internal laws of the State of California, the General Corporation Law of the State of Delaware and the federal laws of the United States, and I express no opinion with respect to the applicability thereto, or the effect thereon, of the laws of any other jurisdiction (or, in the case of Delaware, any laws other than the General Corporation Law of the State of Delaware) or as to any matters of municipal law or the laws of any other local agencies within any state.

On the basis of the foregoing, and in reliance thereon, and subject to the limitations, qualifications and exceptions set forth below, I am of the opinion that, as of the date hereof:

1. Each of Parent, the Company, Harrah's Atlantic City, Inc., a New Jersey corporation ("Harrah's AC"), and Harrah's New Jersey, Inc., a New Jersey corporation (together with Harrah's AC, the "Marina Partners"), is a duly organized and validly existing corporation, in good standing under the laws of the jurisdiction of its organization, and has all corporate power to execute, deliver and perform its obligations under the Documents.

2. Marina is a general partnership validly existing under the laws of the State of New Jersey, and has all partnership power to execute, deliver and perform its obligations under the Documents.

3. The execution, delivery and performance by each Borrower, Parent, Harrah's Atlantic City, Inc., a New Jersey corporation ("Harrah's AC"), as general partner of Marina, and Harrah's New Jersey, Inc., a New Jersey corporation (together with Harrah's AC, the "Marina Partners"), as general partner of Marina, of each of the Documents to which such Borrower, Parent, and the Marina Partners, as applicable, is a party (i) do not, in the case of the Company, Parent and the Marina Partners, contravene any provisions of their respective certificates of incorporation or by-laws, and, in the case of Marina, contravene any provision of its partnership agreement (ii) do not violate or constitute a default under, any applicable provision of the laws of the State of California, the General Corporation Law of the State of Delaware or the federal laws of the United States or any applicable regulation under such laws, (iii) do not violate any instrument, document or agreement to which Parent, the Company, Marina, the Marina Partners or any of their Subsidiaries are party which are identified in the filings made by Parent with the Securities and Exchange

Commission as material to the affairs of the Parent and its Subsidiaries, taken as a whole (each such agreement, a "Material Agreement"), other than any such violations or defaults which would not, separately or in the aggregate, have a material adverse effect on the validity or enforceability of the Documents or on the ability of Parent or any Borrower to perform their respective obligations under the Documents or have

a material adverse effect on the business, properties or operations of Parent and its Subsidiaries taken as a whole and (iv) do not violate any judgment, order or decree binding upon any of Parent or its Subsidiaires, other than any such violations which would not, separately or in the aggregate, have an adverse effect on the validity or enforceability of any of the Documents or on the ability of Parent, either Borrower or the Marina Partners to perform its obligations under the Documents or have a material adverse effect on the value of the business, properties or operations of Parent and its Subsidiaries taken as a whole.

4. Each of the Documents have been duly authorized, executed and delivered by each of Parent, the Company and Marina (to the extent that is a named party thereto).

5. Each of the Documents constitutes a legally valid and binding obligation of each of Parent, the Company and Marina (to the extent that each is a named party thereto), enforceable against them in accordance with its terms and the execution of the Amendment does not render the Five Year Agreement unenforceable in accordance with its terms.

6. At the time of consummation thereof, all consents and approvals of, and filings and registrations with, and all other actions in respect of, all United States federal, California and Delaware governmental agencies, authorities or instrumentalities required in order to make or consummate the loan transactions contemplated by the Documents and enter into the Documents have been obtained, given, filed or taken and are or will be in full force and effect (or effective judicial relief with respect thereto has been obtained).

7. There does not exist any judgment, order or injunction prohibiting or imposing material adverse conditions upon the consummation of the transactions contemplated by the Documents or the performance by Parent, either Borrower or the Marina Partners of their respective obligations under the Documents.

8. There are no actions, suits or proceedings pending, or, to the best of my knowledge, threatened, against Parent or any of its Subsidiaries with respect to the Documents or the transactions contemplated thereby or that restrain, permit or impose adverse conditions upon, or seek to restrain, prevent or impose adverse conditions upon, the Documents or any such transaction.

My opinions in paragraphs 1,2,3 and 5 above as to compliance with certain laws, statutes, rules or regulations and with respect to the consents, approvals, filings and other actions are based upon a review of those laws, statutes, rules and regulations which, in my experience, are normally applicable to loan transactions of the type contemplated by the Documents (other than Federal securities laws and California state securities or "blue sky" laws, as to which I express no opinion in those paragraphs). I am not opining as to any federal or state gaming laws, statutes, rules or regulations.

In rendering the opinions expressed in paragraph 3 insofar as they require interpretation of the Material Agreements, (i) I have assumed with your permission that all courts of

competent jurisdiction would enforce such agreements as written but would apply the internal laws of the State of California, without giving effect to any choice of law provisions contained therein or any choice of law principles which would result in application of the internal laws of any other state, (ii) to the extent that any questions of legality or legal construction have arisen in connection with my review, I have applied the laws of the State of California,

in resolving such questions and (iii) I express no opinion with respect to the effect of any action or inaction by any Party or Creditor under the Documents or the Material Agreements which may result in a breach or default under any Material Agreement. I advise you that certain of the Material Agreements may be governed by other laws, that such laws may vary substantially from the law assumed to govern for purposes of this opinion, and that this opinion may not be relied upon as to whether or not a breach or default would occur under the law actually governing such Material Agreements.

The opinion expressed in paragraph 5 is further subject to the following limitations, qualifications and exceptions:

(a) such opinion is subject to the effect of bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights of creditors generally, including, without limitation, the effect of Section 548 of the federal Bankruptcy Code and comparable provisions of state law;

(b) enforceability of the Documents is subject to the effect of general principles of equity, including without limitation concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief regardless of whether considered in a proceeding in equity or at law;

(c) certain rights, remedies and waivers contained in the Documents may be limited or rendered ineffective by applicable California laws or judicial decisions governing such provisions, but such laws or judicial decisions do not render the Documents invalid or unenforceable as a whole;

(d) I express no opinion as to the validity or enforceability of any provision of the Documents that permit the Lenders to increase the rate of interest or collect a late charge or prepayment premium in the event of a delinquency or default;

(e) the unenforceability under certain circumstances of provisions to the effect that rights or remedies are not exclusive, that every right or remedy is cumulative and may be exercised in addition to or with any other right or remedy, that election of a particular remedy or remedies does not preclude recourse to one or more other remedies, that any right or remedy may be exercised without notice, or that failure to exercise or delay in exercising rights or remedies will not operate as a waiver of any such right or remedy;

(f) the unenforceability under certain circumstances of provisions indemnifying a party against liability for its own wrongful or negligent acts or where such indemnification is contrary to public policy or prohibited by law;

(g) the effect of Section 1717 of the California Civil Code, which provides that, where a contract permits one party to the contract to recover attorneys' fees, the prevailing party in any action to enforce any provision of the contract shall be entitled to recover its reasonable attorneys' fees;

(h) the effect of California law, which provides that a court may refuse to enforce, or may limit the application of, a contract or any clause thereof which the court finds as a matter of law to have been unconscionable at the time it was made or contrary to public policy;

(i) the effect of Section 63 1(d) of the California Code of Civil Procedure, which provides that a court may, in its discretion upon just terms, allow a trial by jury although there may have been a waiver of trial by jury;

(j) the enforceability of liquidated damages provisions of the Documents may be governed and restricted by Section 1671 of the California Civil Code;

(k) I express no opinion as to the enforceability of the choice of law provisions in the Documents;

(l) I express no opinion with respect to the enforceability by a federal court of any forum selection clause contained in any of the Documents; and

(m) I also advise you of California statutory provisions and case law to the effect that, in certain circumstances, a surety may be exonerated if the creditor materially alters the original obligation of the principal without

the consent of the guarantor, elects remedies for default that impair the subrogation rights of the guarantor against the principal, or otherwise takes any action without notifying the guarantor that materially prejudices the guarantor. However, there is also authority to the effect that a guarantor may validly waive such rights if the waivers are expressly set forth in the guaranty. While I believe that a California court should hold that the explicit language contained in the Documents waiving such rights is enforceable, I express no opinion with respect to the effect of (i) any modification to or amendment of the obligations of any Party, Creditor or any other Person that materially increases such obligations, (ii) any election of remedies by the Administrative Agents or the Lenders following the occurrence of an event of default under the Documents, or (iii) any other action by the Agents or the Lenders that materially prejudices the guarantor.

In connection with my opinions expressed herein, I assume, with your permission, that each Lender and each SPC is a member of a class of lenders which is exempt or is otherwise exempt from California usury laws, including Section 1 of Article XV of the California Constitution.

I am not expressing any opinion as to the effect of any such Person's (other than Parent's and the Borrowers') compliance with any state or federal laws or regulations applicable to the transactions because of the nature of such Person's business.

This opinion is rendered only to you and is solely for your benefit in connection with the transactions covered hereby. This opinion may not be relied upon by you for any other purpose, or furnished to, quoted to or relied upon by any other person, firm or corporation for any purpose, without my prior written consent. At your request, I hereby consent to reliance hereon by any future assigns of or participants in your interest in the Amendment and the 364-Day Agreement as expressly permitted therein by Section 11.8, provided that this opinion speaks only as of the date hereof and to its addressees and that I have no responsibility or obligation to update this opinion, to consider its applicability or correctness other than to its addressees, or to take into account changes in law, facts or any other development of which I may later become aware. I hereby consent to your furnishing this opinion to your auditors and to regulatory officials having jurisdiction over you.

Very truly yours,

EXHIBIT E

AMENDED AND RESTATED PARENT GUARANTY

This AMENDED AND RESTATED PARENT GUARANTY ("Guaranty"), dated as of April 26, 2001, is made by Harrah's Entertainment, Inc., a Delaware corporation ("Guarantor") in favor of Bank of America, N.A., as Administrative Agent for the benefit of the Lenders that are party to the Loan Agreement referred to below, with reference to the following facts:

RECITALS

A. Pursuant to the Amended and Restated 364-Day Loan Agreement dated as of April 26, 2001 by and among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., a Delaware corporation, Marina Associates, a New Jersey general partnership, and such other Subsidiaries that become Borrowers pursuant thereto (collectively with Harrah's Operating Company, Inc. and Marina Associates, the "Borrowers" and each, a "Borrower"), the Lenders therein named (collectively, the "Lenders" and individually, a "Lender") and Bank of America, N.A., as Administrative Agent (as such agreement may from time to time be extended, modified, renewed, restated, supplemented or amended, the "Loan Agreement"), the Lenders are making certain credit facilities available to Borrowers.

B. The Loan Agreement amends and restates in its entirety a 364-Day Loan Agreement dated as of April 30, 1999 (the "Existing Loan Agreement). Pursuant to a Parent Guaranty of even date therewith (the "Existing Guaranty"), Guarantor guaranteed the obligations of the Borrowers under the Existing Loan Agreement.

C. As a condition to the continued availability of the credit

facilities provided by the Loan Agreement, Guarantor is required to enter into this Guaranty to amend and restate the Existing Guaranty in its entirety and to guaranty the Guarantied Obligations as hereinafter provided.

D Guarantor expects to realize direct and indirect benefits as the result of the availability of the aforementioned credit facilities to Borrowers.

AGREEMENT

NOW, THEREFORE, in order to induce Lender to extend the aforementioned credit facilities, and for other good and valuable consideration, the receipt and adequacy of

which hereby are acknowledged, Guarantor hereby represents, warrants, covenants, agrees and guaranties as follows:

1. DEFINITIONS. This Guaranty is the Parent Guaranty referred to in the Loan Agreement and is one of the Loan Documents. Terms defined in the Loan Agreement and not otherwise defined in this Guaranty shall have the meanings given those terms in the Loan Agreement when used herein and such definitions are incorporated herein as though set forth in full. In addition, as used herein, the following terms shall have the meanings respectively set forth after each:

> "GUARANTIED OBLIGATIONS" means all Obligations of Borrowers or any Party at any time and from time to time owed to Lender under one or more of the Loan Documents (but not including Obligations owed to Lender under this Guaranty), whether due or to become due, matured or unmatured, liquidated or unliquidated, or contingent or noncontingent, INCLUDING obligations of performance as well as obligations of payment, and INCLUDING interest that accrues after the commencement of any bankruptcy or insolvency proceeding by or against Borrowers or any of them, Guarantor or any other Person.
>
> "GUARANTOR" means Harrah's Entertainment, Inc., a Delaware corporation.
>
> "LENDER"means the Administrative Agent (acting as the Administrative Agent and/or on behalf of the Lenders) and the Lenders, and each of them, and any one or more of them. Subject to the terms of the Loan Agreement, any right, remedy, privilege or power of Lender shall be exercised by the Administrative Agent on behalf of the Lenders.
>
> "GUARANTY" means this Guaranty, and any extensions, modifications, renewals, restatements, reaffirmations, supplements or amendments hereof.

2. GUARANTY OF GUARANTIED OBLIGATIONS. Guarantor hereby irrevocably, unconditionally guaranties and promises to pay and perform on demand upon the occurrence of any Event of Default the Guarantied Obligations and each and every one of them, INCLUDING all amendments, modifications, supplements, renewals or extensions of any of them, whether such amendments, modifications, supplements, renewals or extensions are evidenced by new or additional instruments, documents or agreements or change the rate of interest on any Guarantied Obligation or the security therefor, or otherwise.

3. NATURE OF GUARANTY. This Guaranty is irrevocable and continuing in nature and relates to any Guarantied Obligations now existing or hereafter arising. This

Guaranty is a guaranty of prompt and punctual payment and performance and is not merely a guaranty of collection.

4. RELATIONSHIP TO OTHER AGREEMENTS. Nothing herein shall in any way modify or limit the effect of terms or conditions set forth in any other document, instrument or agreement executed by Guarantor or in connection with the Guarantied Obligations, but each and every term and condition hereof shall be in addition thereto. All provisions contained in the Loan Agreement or any other Loan Document that apply to Loan Documents generally are fully applicable to this Guaranty and are incorporated herein by this reference.

5. SUBORDINATION OF INDEBTEDNESS OF BORROWERS TO GUARANTOR TO THE GUARANTIED OBLIGATIONS. Guarantor agrees that:

(a) Any indebtedness of Borrowers now or hereafter owed to Guarantor hereby is subordinated to the Guarantied Obligations.

(b) If Lender so requests, upon the occurrence and during the continuance of any Event of Default, any such indebtedness of Borrowers now or hereafter owed to Guarantor shall be collected, enforced and received by Guarantor as trustee for Lender and shall be paid over to Lender in kind on account of the Guarantied Obligations, but without reducing or affecting in any manner the obligations of Guarantor under the other provisions of this Guaranty.

(c) Should Guarantor fail to collect or enforce any such indebtedness of Borrowers now or hereafter owed to Guarantor and pay the proceeds thereof to Lender in accordance with Section 5(b) hereof, Lender as Guarantor's attorney-in-fact may do such acts and sign such documents in Guarantor's name as Lender considers necessary or desirable to effect such collection, enforcement and/or payment.

6. STATUTES OF LIMITATIONS AND OTHER LAWS. Until the Guarantied Obligations shall have been paid and performed in full, all the rights, privileges, powers and remedies granted to Lender hereunder shall continue to exist and may be exercised by Lender at any time and from time to time irrespective of the fact that any of the Guarantied Obligations may have become barred by any statute of limitations. Guarantor expressly waives the benefit of any and all statutes of limitation, and any and all Laws providing for exemption of property from execution or for evaluation and appraisal upon foreclosure, to the maximum extent permitted by applicable Laws.

7. WAIVERS AND CONSENTS. Guarantor acknowledges that the obligations undertaken herein involve the guaranty of obligations of Persons other than Guarantor and, in full recognition of that fact, consents and agrees that Lender may, at any time and from time to time, without notice or demand, and without affecting the enforceability or continuing effectiveness hereof: (a) supplement, modify, amend, extend, renew, accelerate or otherwise

change the time for payment or the terms of the Guarantied Obligations or any part thereof, INCLUDING any increase or decrease of the rate(s) of interest thereon; (b) supplement, modify, amend or waive, or enter into or give any agreement, approval or consent with respect to, the Guarantied Obligations or any part thereof, or any of the Loan Documents to which Guarantor is not a party or any additional security or guaranties, or any condition, covenant, default, remedy, right, representation or term thereof or thereunder; (c) accept new or additional instruments, documents or agreements in exchange for or relative to any of the Loan Documents or the Guarantied Obligations or any part thereof; (d) accept partial payments on the Guarantied Obligations; (e) receive and hold additional security or guaranties for the Guarantied Obligations or any part thereof; (f) release, reconvey, terminate, waive, abandon, fail to perfect, subordinate, exchange, substitute, transfer and/or enforce any security or guaranties, and apply any security and direct the order or manner of sale thereof as Lender in its sole and absolute discretion may determine; (g) release any Person from any personal liability with respect to the Guarantied Obligations or any part thereof; (h) settle, release on terms satisfactory to Lender or by operation of applicable Laws or otherwise liquidate or enforce any Guarantied Obligations and any security or guaranty therefor in any manner, consent to the transfer of any security and bid and purchase at any sale; and/or (i) consent to the merger, change or any other restructuring or termination of the corporate existence of Borrowers, or any of them, Guarantor or any other Person, and correspondingly restructure the Guarantied Obligations, and any such merger, change, restructuring or termination shall not affect the liability of Guarantor or the continuing effectiveness hereof, or the enforceability hereof with respect to all or any part of the Guarantied Obligations; provided that nothing herein shall waive, alter, diminish or modify any rights of the Borrowers under the Loan Documents, including, without limitation, the rights of the Borrowers to agree to any amendments or modifications of the Loan Documents.

Upon the occurrence and during the continuance of any Event of Default, Lender may enforce this Guaranty independently as to Guarantor and independently of any other remedy or security Lender at any time may have or hold in connection with the Guarantied Obligations. Guarantor expressly waives any right to require Lender to marshal assets in favor of Guarantor, and agrees that Lender may proceed against Borrowers or any of them, or upon or against any security or remedy, before proceeding to enforce this Guaranty, in such order as it shall determine in its sole and absolute discretion. Lender may file a

separate action or actions against Borrowers, or any of them, and/or Guarantor without respect to whether action is brought or prosecuted with respect to any security or against any other Person, or whether any other Person is joined in any such action or actions. Guarantor agrees that Lender, Borrowers, or any of them, and any Affiliates of any Borrower may deal with each other in connection with the Guarantied Obligations or otherwise, or alter any contracts or agreements now or hereafter existing between any of them, in any manner whatsoever, all without in any way altering or affecting the security of this Guaranty. Lender's rights hereunder shall be reinstated and revived, and the enforceability of this Guaranty shall continue, with respect to any amount at any time paid on account of the Guarantied Obligations which thereafter shall be required to be restored or returned by Lender upon the bankruptcy, insolvency or reorganization of Borrowers, or any of them, or any other Person,

or otherwise, all as though such amount had not been paid. The rights of Lender created or granted herein and the enforceability of this Guaranty with respect to Guarantor at all times shall remain effective to guaranty the full amount of all the Guarantied Obligations even though the Guarantied Obligations, or any part thereof, or any security or guaranty therefor, may be or hereafter may become invalid or otherwise unenforceable as against Borrowers or any other guarantor or surety and whether or not Borrowers shall have any personal liability with respect thereto. Guarantor expressly waives any and all defenses now or hereafter arising or asserted by reason of (a) any disability or other defense of Borrowers, or any of them, with respect to the Guarantied Obligations, (b) the unenforceability or invalidity of any security or guaranty for the Guarantied Obligations or the lack of perfection or continuing perfection or failure of priority of any security for the Guarantied Obligations, (c) the cessation for any cause whatsoever of the liability of Borrowers, or any of them (other than by reason of the full payment and performance of all Guarantied Obligations), (d) any failure of Lender to marshal assets in favor of Borrowers or any other Person, (e) except as otherwise provided in this Guaranty, any failure of Lender to give notice of sale or other disposition of collateral to Guarantor or any other Person or any defect in any notice that may be given in connection with any sale or disposition of collateral, (f) any failure of Lender to comply with applicable Laws in connection with the sale or other disposition of any collateral or other security for any Guarantied Obligation, including without limitation, any failure of Lender to conduct a commercially reasonable sale or other disposition of any collateral or other security for any Guarantied Obligation, (g) any act or omission of Lender or others that directly or indirectly results in or aids the discharge or release of Borrowers, or any of them, or the Guarantied Obligations or any security or guaranty therefor by operation of law or otherwise, (h) any Law which provides that the obligation of a surety or guarantor must neither be larger in amount nor in other respects more burdensome than that of the principal or which reduces a surety's or guarantor's obligation in proportion to the principal obligation, (i) any failure of Lender to file or enforce a claim in any bankruptcy or other proceeding with respect to any Person, (j) the election by Lender, in any bankruptcy proceeding of any Person, of the application or non-application of Section 1111(b)(2) of the United States Bankruptcy Code, (k) any extension of credit or the grant of any Lien under Section 364 of the United States Bankruptcy Code, (l) any use of cash collateral under Section 363 of the United States Bankruptcy Code, (m) any agreement or stipulation with respect to the provision of adequate protection in any bankruptcy proceeding of any Person, (n) the avoidance of any Lien in favor of Lender for any reason, (o) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against any Person, INCLUDING any discharge of, or bar or stay against collecting, all or any of the Guarantied Obligations (or any interest thereon) in or as a result of any such proceeding, (p) to the extent permitted, the benefits of any form of one-action rule, or (q) any action taken by Lender that is authorized by this Section or any other provision of any Loan Document. Guarantor expressly waives all setoffs and counterclaims and all presentments, demands for payment or performance, notices of nonpayment or nonperformance, protests, notices of protest, notices of dishonor and all other notices or demands of any kind or nature whatsoever with respect to the Guarantied Obligations, and all notices of acceptance of this Guaranty or of the existence, creation or incurrence of new or additional Guarantied Obligations.

8. CONDITION OF BORROWERS AND BORROWERS' SUBSIDIARIES. Guarantor represents and warrants to Lender that Guarantor has established adequate means of obtaining from Borrowers' Subsidiaries, on a continuing basis, financial and other information pertaining to the businesses, operations and condition (financial and otherwise) of Borrowers and Borrowers' Subsidiaries and their

Properties, and Guarantor now is and hereafter will be completely familiar with the businesses, operations and condition (financial and otherwise) of Borrowers and Borrowers' Subsidiaries and their Properties. Guarantor hereby expressly waives and relinquishes any duty on the part of Lender (should any such duty exist) to disclose to Guarantor any matter, fact or thing related to the businesses, operations or condition (financial or otherwise) of Borrowers or Borrowers' Subsidiaries or their Properties, whether now known or hereafter known by Lender during the life of this Guaranty. With respect to any of the Guarantied Obligations, Lender need not inquire into the powers of Borrowers or any their Subsidiaries or the officers or employees acting or purporting to act on their behalf, and all Guarantied Obligations made or created in good faith reliance upon the professed exercise of such powers shall be secured hereby.

9. LIENS ON REAL PROPERTY. In the event that all or any part of the Guarantied Obligations at any time are secured by any one or more deeds of trust or mortgages or other instruments creating or granting Liens on any interests in real Property, Guarantor authorizes Lender, upon the occurrence of and during the continuance of any Event of Default, at its sole option, without notice or demand and without affecting any Guarantied Obligations of Guarantor, the enforceability of this Guaranty, or the validity or enforceability of any Liens of Lender on any collateral, to foreclose any or all of such deeds of trust or mortgages or other instruments by judicial or nonjudicial sale. Guarantor expressly waives all rights and defenses to the enforcement of this Guaranty or any rights of Lender created or granted hereby or to the recovery by Lender against Borrowers, or any of them, Guarantor or any other Person liable therefor of any deficiency after a judicial or nonjudicial foreclosure or sale because all or any part of the Guarantied Obligations is secured by real Property. This means, among other things: (1) Lender may collect from any Guarantor without first foreclosing on any real or personal Property collateral pledged by Borrowers and (2) if the Lender forecloses on any real Property collateral pledged by Borrowers: (A) The amount of the Guarantied Obligations may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price and (B) the Lender may collect from any Guarantor even if the Lender, by foreclosing on the real Property collateral, has destroyed any right any Guarantor may have to collect from Borrowers. This is an unconditional and irrevocable waiver of any rights and defenses any Guarantor may have because all or any part of the Guarantied Obligations is secured by real Property. Guarantor expressly waives any defenses or benefits that may be derived from California Code of Civil Procedure ss.ss. 580a, 580b, 580d or 726, or comparable provisions of the Laws of any other jurisdiction, including, without limitation, NRS Section 40.430 and judicial decisions relating thereto, and NRS Sections 40.451, 40.455, 40.457 and 40.459, and all other suretyship defenses it otherwise might or would have under California Law or other applicable Law. Guarantor expressly waives any right to receive notice of any judicial or

nonjudicial foreclosure or sale of any real Property or interest therein subject to any such deeds of trust or mortgages or other instruments and any Guarantor's or any other Person's failure to receive any such notice shall not impair or affect Guarantor's Obligations or the enforceability of this Guaranty or any rights of Lender created or granted.

10. WAIVER OF RIGHTS OF SUBROGATION. Notwithstanding anything to the contrary elsewhere contained herein or in any other Loan Document to which Guarantor is a Party, Guarantor hereby expressly waives with respect to any Borrower and its successors and assigns (INCLUDING any surety) and any other Person which is directly or indirectly a creditor of any Borrower or any surety for any Borrower, any and all rights at Law or in equity to subrogation, to reimbursement, to exoneration, to contribution, to setoff or to any other rights that could accrue to a surety against a principal, to a guarantor against a maker or obligor, to an accommodation party against the party accommodated, or to a holder or transferee against a maker, and which Guarantor may have or hereafter acquire against any Borrower or any other such Person in connection with or as a result of Guarantor's execution, delivery and/or performance of this Guaranty or any other Loan Document to which Guarantor is a party. Guarantor agrees that it shall not have or assert any such rights against any Borrower or its successors and assigns or any other Person (INCLUDING any surety) which is directly or indirectly a creditor of any surety for any Borrower, either directly or as an attempted setoff to any action commenced against Guarantor by any Borrower (as borrower or in any other capacity), Lender or any other such Person. Guarantor hereby acknowledges and agrees that this waiver is intended to benefit Borrowers and Lender and shall not limit or otherwise affect Guarantor's liability hereunder, under any other Loan Document to which Guarantor is a party, or the enforceability hereof or thereof.

11. UNDERSTANDINGS WITH RESPECT TO WAIVERS AND CONSENTS. Guarantor warrants and agrees that each of the waivers and consents set forth herein are

made with full knowledge of their significance and consequences, with the understanding that events giving rise to any defense or right waived may diminish, destroy or otherwise adversely affect rights which Guarantor otherwise may have against Borrowers, Lender or others, or against any collateral, and that, under the circumstances, the waivers and consents herein given are reasonable and not contrary to public policy or Law. Guarantor acknowledges that it has either consulted with legal counsel regarding the effect of this Guaranty and the waivers and consents set forth herein, or has made an informed decision not to do so. If this Guaranty or any of the waivers or consents herein are determined to be unenforceable under or in violation of applicable Law, this Guaranty and such waivers and consents shall be effective to the maximum extent permitted by Law.

12. REPRESENTATIONS AND WARRANTIES. Guarantor hereby makes each and every representation and warranty applicable to Guarantor set forth in Article 4 of the Loan Agreement as if set forth in full herein.

13. COSTS AND EXPENSES. After an Event of Default, Guarantor agrees to pay to Lender all costs and expenses (INCLUDING, without limitation, reasonable attorneys' fees

and disbursements) incurred by Lender in the enforcement or attempted enforcement of this Guaranty, whether or not an action is filed in connection therewith, and in connection with any waiver or amendment of any term or provision hereof. All advances, charges, costs and expenses, INCLUDING reasonable attorneys' fees and disbursements (including the reasonably allocated cost of legal counsel employed by Lender), incurred or paid by Lender in exercising any right, privilege, power or remedy conferred by this Guaranty, or in the enforcement or attempted enforcement thereof, shall be subject hereto and shall become a part of the Guarantied Obligations and shall be paid to Lender by Guarantor, after an Event of Default and immediately upon demand, together with interest thereon at the rate(s) provided for under the Loan Agreement.

14. CONSTRUCTION OF THIS GUARANTY. This Guaranty is intended to give rise to ABSOLUTE AND UNCONDITIONAL obligations on the part of Guarantor; hence, in any construction hereof, NOTWITHSTANDING ANY PROVISION OF ANY LOAN DOCUMENT TO THE CONTRARY, this Guaranty shall be construed strictly in favor of Lender in order to accomplish its stated purpose.

15. LIABILITY. Notwithstanding anything to the contrary elsewhere contained herein or in any Loan Document to which Guarantor is a Party, the aggregate liability of Guarantor hereunder for payment and performance of the Guarantied Obligations shall not exceed an amount which, in the aggregate, is $1.00 less than that amount which if so paid or performed would constitute or result in a "fraudulent transfer", "fraudulent conveyance", or terms of similar import, under applicable state or federal Law, including without limitation, Section 548 of the United States Bankruptcy Code. The liability of Guarantor hereunder is independent of any other guaranties at any time in effect with respect to all or any part of the Guarantied Obligations, and Guarantor's liability hereunder may be enforced regardless of the existence of any such guaranties. Any termination by or release of any guarantor in whole or in part shall not affect the continuing liability of Guarantor hereunder, and no notice of any such termination or release shall be required. The execution hereof by Guarantor is not founded upon an expectation or understanding that there will be any other guarantor of the Guarantied Obligations.

16. WAIVER OF JURY TRIAL. GUARANTOR AND LENDER EXPRESSLY WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS GUARANTY, THE LOAN AGREEMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. GUARANTOR AND LENDER AGREE THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF

THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS GUARANTY, THE LOAN AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS GUARANTY, THE LOAN AGREEMENT AND THE OTHER

LOAN DOCUMENTS. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

17. THIS GUARANTY SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LOCAL LAWS OF THE STATE OF CALIFORNIA WITHOUT REFERENCE TO THE CONFLICT OF LOCAL LAWS OR CHOICE OF LAW PRINCIPLES THEREOF.

IN WITNESS WHEREOF, Guarantor has executed this Guaranty by its duly authorized officer as of the date first written above.

"Guarantor"

HARRAH'S ENTERTAINMENT, INC.,
a Delaware corporation

By:_____
Charles L. Atwood, Vice President and Treasurer

Address:
Harrah's Entertainment, Inc.
1 Harrah's Court
Las Vegas, Nevada 89119-4312
Attn: Charles L. Atwood, Vice President and Treasurer
Telecopier: 702/407-6405
Telephone: 702/407-6406

EXHIBIT F

REQUEST FOR LOAN

AMENDED AND RESTATED 364-DAY LOAN AGREEMENT

1. This Request for Loan is executed and delivered by _____ ("Requesting Borrower"), to Bank of America, N.A., as the Administrative Agent ("Administrative Agent") pursuant to the Five Year Loan Agreement dated as of April 30, 1999, as amended as of April 3, 2000 by an Amendment No. 1 and as amended as of April 26, 2001 by an Amendment No. 2 (as amended, modified or extended, the "Loan Agreement"), among Requesting Borrower, as a Borrower, the other Borrowers that are parties thereto (each a "Borrower" and collectively, the "Borrowers"), Harrah's Entertainment, Inc., a Delaware corporation, as Guarantor, the Lenders therein named, and Administrative Agent. Any terms used herein and not defined herein shall have the meanings defined in the Loan Agreement.

2. Borrower hereby requests that the Lenders make a Loan pursuant to the Loan Agreement as follows:

(a) AMOUNT OF REQUESTED LOAN:

$_____

(b) FUNDING DATE OF LOAN:

(c) TYPE OF LOAN (Check one box only):

/__/ BASE RATE

/__/ EURODOLLAR RATE FOR A EURODOLLAR PERIOD OF _____ MONTHS

3. In connection with the request, Borrower certifies that:

(a) If this Request for Loan is for a Loan which will increase the principal amount outstanding under the Notes, now and as of the date of the requested Loan,

except (i) for representations and warranties which speak as of a particular date or are no longer true and correct as a result of a change which is permitted by the Loan Agreement and (ii) as disclosed by Borrowers and approved in writing by the Requisite Lenders, each representation and warranty made by each Borrower in Article 4 of the Loan Agreement (other than Sections 4.4(a), 4.6 (first sentence), 4.8, 4.15) will be true and correct, both immediately before and after giving effect to such Loan, as though such representations and warranties were made on and as of that date; and

(b) There is not any action, suit, proceeding or investigation pending as to which Parent or any of its Subsidiaries have been served or received notice or, to the best knowledge of Borrowers, threatened against or affecting Parent or any of its Subsidiaries or any Property of any of them before any Governmental Agency that constitutes a Material Adverse Effect.

4. This Request is executed on _____ on behalf of Requesting Borrower.

----------,

a _____ _____

By:_____

Title:_____

EXHIBIT G

ELECTION TO BECOME A BORROWER

Bank of America, N.A.,
as Administrative Agent under each of the Loan Agreements described below
555 South Flower Street
Los Angeles, California 90071

Ladies and Gentlemen:

The undersigned, _____, a _____ _____ ("Subsidiary") refers to the Five Year Loan Agreement, dated as of April 30, 1999, as amended as of April 3, 2000 by an Amendment No. 1 thereto and as amended as of April 26, 2001 by an Amendment No 2 and the Amended and Restated 364-Day Loan Agreement, dated as of April 26, 2001 (as amended, modified or extended, the "Loan Agreements"), among Harrah's Entertainment, Inc., a Delaware corporation ("Parent"), as Guarantor, Harrah's Operating Company, Inc., a Delaware corporation ("Company"), Marina Associates, a New Jersey general partnership ("Marina") (each a "Borrower" and collectively, the "Borrowers"), the Lenders therein named, and Administrative Agent. Any terms used herein and not defined herein shall have the meanings defined in the Loan Agreements.

Subsidiary, desiring to incur Loans under the Loan Agreements, hereby elects, pursuant to the provisions of Section 2.6 of each of the Loan Agreements, to become a Borrower for the purposes of the Loan Agreements, effective from the date hereof. Subsidiary confirms that it is a Wholly-Owned Subsidiary under the Loan Agreements and confirms that the representations and warranties set forth in Article 4 of the Loan Agreements are true and correct as to Subsidiary, and Subsidiary hereby agrees to comply with all the obligations of a Borrower under, and to be bound in all respects by the terms of, the Loan Agreements as if Subsidiary an original signatory thereto. Subsidiary proposes the following Aggregate Sublimit:

PROPOSED AGGREGATE SUBLIMIT FOR SUBSIDIARY:

$_____

Subsidiary, concurrently with its execution hereof, is delivering the appropriate executed documents, certificates, resolutions, opinions, Competitive Advance Note, Committed Advanced Notes and Swing Line Documents required by Sections 2.6(a) and (b) of the Loan Agreements.

Subsidiary shall, at its own expense, execute and deliver such further documents, certificates, resolution, opinions and other assurances as the Administrative Agent may reasonably request in connection herewith. All notices and other communications provided for under the Loan Agreement may be sent to the address set forth below.

Very truly yours,

Address:

_____ By: _____

_____

_____ Title: _____

Acknowledged and Agreed:

Harrah's Entertainment, Inc.

By:_____

Its:_____

Harrah's Operating Company, Inc.

By:_____

Its:_____

Marina Associates

By: Harrah's New Jersey, Inc.,
general partner

By: _____

[additional Borrowers:]

_____

By:_____

Its:_____

_____

By:_____

Its:_____

Its: _____

By: Harrah's Atlantic City, Inc.,
general partner

By: _____

Its: _____

EXHIBIT H

JOINT BORROWER PROVISIONS

Reference is made to the Amended and Restated 364-Day Loan Agreement (the "Loan Agreement") among Harrah's Operating Company, Inc., a Delaware corporation ("Company"), Marina Associates, a New Jersey general partnership ("Marina" and together with the Company and such other Subsidiaries that become Borrowers pursuant thereto, "Borrowers"), Harrah's Entertainment, Inc., a Delaware corporation ("Parent"), as Guarantor, the Lenders therein named, and Bank of America N.A., as Administrative Agent. These Joint Borrower Provisions are attached to and made a part of the Loan Agreement as Exhibit H thereto. Capitalized terms used herein are used with the meanings set forth for those terms in the Loan Agreement. Borrowers each agree that:

1. REQUESTS FOR LOANS. Requests for Loans may be made by any Borrower, and

the Administrative Agent and the Lenders are authorized to honor and rely upon any such request or any instructions received from any responsible official of any Borrower. It is expressly agreed and understood by each Borrower that the Administrative Agent and the Lenders shall have no responsibility to inquire into the apportionment, allocation or disposition of any Loans made to any Borrower.

2. ACKNOWLEDGMENT AND INDEMNITY RE JOINT HANDLING. It is understood and agreed that the handling of this credit facility on a joint borrowing basis as set forth in this Agreement is as an accommodation to Borrowers and at the request of Borrowers, and that the Administrative Agent and the Lenders shall incur no liability to any Borrower or any other Person as a result thereof. To induce the Administrative Agent and the Lenders to do so, and in consideration thereof, each of the Borrowers hereby agrees to indemnify the Administrative Agent and each Lender and hold them harmless from and against any and all liabilities, expenses, losses, damages and/or claims of damage or injury asserted against them by any Borrower or by any other Person arising from or incurred by reason of the joint handling of the financing arrangements provided in the Loan Agreement, reliance by the Administrative Agent and the Lenders on any requests or instructions from any Borrower, or any other similar action taken by the Administrative Agent or any Lender under the Loan Documents.

3. REPRESENTATION AND WARRANTY. Each Borrower represents and warrants to the Administrative Agent and each Lender that (i) it has established adequate means of obtaining, on a continuing basis, financial and other information pertaining to the business, operations and condition (financial and otherwise) of Parent and its Subsidiaries and their Property, and (ii) it now is and hereafter will be completely familiar with the business, operations and condition (financial and otherwise) of such Persons and their Property. Each Borrower hereby waives and relinquishes any duty on the part of the Administrative Agent or any Lender to disclose to it any matter, fact or thing relating to the business, operations or condition (financial or otherwise) of Borrowers, Parent, its Subsidiaries or their Property, whether

now or hereafter known by the Administrative Agent or any Lender during the term of the Loan Agreement.

_____4. WAIVERS AND CONSENTS. Each of the Borrowers consents and agrees that the Administrative Agent and the Lenders may, at any time and from time to time, without notice or demand to any of them, and without affecting the enforceability or continuing effectiveness hereof:

a. supplement, modify, amend, extend, renew, accelerate, or otherwise change the time for payment or the terms of the Obligations or any part thereof, including any increase or decrease of the rate(s) of interest thereon;

b. supplement, modify, amend or waive, or enter into or give any agreement, approval or consent with respect to, the Obligations or any part thereof or any of the Loan Documents or any additional security or guaranties, or any condition, covenant, default, remedy, right, representation or term thereof or thereunder;

c. accept new or additional instruments, documents or agreements in exchange for or relative to any of the Loan Documents or the Obligations or any part thereof;

d. accept partial payments on the Obligations;

e. receive and hold additional security or guaranties for the Obligations or any part thereof;

f. release, reconvey, terminate, waive, abandon, fail to perfect, subordinate, exchange, substitute, transfer and/or enforce any security or guaranties, and apply any security and direct the order or manner of sale thereof as the Administrative Agent and the Lenders in their sole and absolute discretion may determine;

g. release any Person from any personal liability with respect to the Obligations or any part thereof;

h. settle, release on terms satisfactory to the Administrative Agent and the Lenders or by operation of applicable Laws or otherwise liquidate or enforce any Obligations and any security or guaranty therefor in any manner, consent to the transfer of any security and bid and purchase at any sale; and/or

i. consent to the merger, change or any other restructuring or termination of the corporate existence of Borrowers, or any of them, any guarantor or any other Person, and correspondingly restructure the Obligations, and any such merger, change, restructuring or termination shall not affect the liability of any Person or the

continuing effectiveness hereof or the enforceability hereof with respect to all or any part of the Obligations;

provided that nothing herein shall waive, alter, diminish or modify any rights of the Borrowers under the Loan Documents, including without limitation, the rights of the Borrowers to agree to any amendments or modifications of the Loan Documents.

Upon the occurrence and during the continuance of any Event of Default, the Administrative Agent and the Lenders may enforce the Loan Agreement and the other Loan Documents independently as to each Borrower and independently of any other remedy or security the Administrative Agent or any Lender at any time may have or hold in connection with the Obligations. Each Borrower expressly waives any right to require the Administrative Agent or any Lender to marshal assets in favor of Borrowers, and agrees that the Administrative Agent and Lenders may proceed against Borrowers, or any of them, or upon any security or remedy before proceeding to enforce this Loan Agreement, in such order as they shall determine in their sole and absolute discretion. The Administrative Agent (with the consent of the Requisite Lenders) may file a separate action or actions against Borrowers, or any of them, and/or any guarantor without respect to any Borrower, whether action is brought or prosecuted with respect to any other security or against any other Person, or whether any other Person is joined in any such action or actions. Each Borrower agrees that the Administrative Agent and the Lenders may deal with each Borrower or themselves other in connection with the Obligations or otherwise, or alter any contracts or agreements now or hereafter existing between any of them, in any manner whatsoever, all without in any way altering or affecting the security of the Loan Documents. Borrowers expressly waive the benefit of any statute(s) of limitations affecting their liability under the Loan Documents or the enforcement of the Obligations or any Liens created or granted therein. The Administrative Agent and the Lenders' rights hereunder shall be reinstated and revived, and the enforceability of this Loan Agreement shall continue, with respect to any amount at any time paid on account of the Obligations which thereafter shall be required to be restored or returned by them upon the bankruptcy, insolvency or reorganization of Borrowers, or any of them, or any other Person, or otherwise, all as though such amount had not been paid. The rights of Lender created or granted under the Loan Documents and their enforceability at all times shall remain effective to secure the full amount of all the Obligations, even though the Obligations, including any part thereof or any other security or guaranty therefor, may be or hereafter may become invalid or otherwise unenforceable as against Borrowers or any guarantor or surety and whether or not such other Persons shall have any personal liability with respect thereto. Each Borrower expressly waives any and all defenses now or hereafter arising or asserted by reason of (a) any disability or other defense of any of the other such Persons with respect to the Obligations, (b) the unenforceability or invalidity of any security or guaranty for the Obligations or the lack of perfection or continuing perfection or failure of priority of any security for the Obligations, (c) the cessation for any cause whatsoever of the liability of Borrowers, or any of them (other than by reason of the full payment and performance of all Obligations), (d) any failure of the Administrative Agent or any Lender to marshal assets in favor of Borrowers or any other Person, (e) except as otherwise provided in

the Loan Documents, any failure of the Administrative Agent or any Lender to give notice of sale or other disposition of collateral to any Borrower or any other Person or any defect in any notice that may be given in connection with any sale or disposition of collateral, (f) any failure of the Administrative Agent or any Lender to comply with applicable Laws in connection with the sale or other disposition of any collateral or other security for any Obligation, including without limitation any failure of the Administrative Agent or any Lender to conduct a commercially reasonable sale or other disposition of any collateral or other security for any Obligation, (g) any act or omission of the Administrative Agent or any Lender or others that directly or indirectly results in or aids the discharge or release of Borrowers or any of them, or any other Person or the obligations or any other security or guaranty therefor by operation of Law or otherwise, (h) any Law which provides that the obligation of a surety or guarantor must neither be larger in amount nor in other respects more burdensome than that of the principal or which reduces a surety's or

guarantor's obligation in proportion to the principal obligation, (i) any failure of the Administrative Agent or any Lender to file or enforce a claim in any bankruptcy or other proceeding with respect to any Person, (j) the election by the Administrative Agent or any Lender, in any bankruptcy proceeding of any Person, of the application or non-application of Section 1111(b)(2) of the United States Bankruptcy Code, (k) any extension of credit or the grant of any Lien under Section 364 of the United States Bankruptcy Code, (l) any use of cash collateral under Section 363 of the United States Bankruptcy Code, (m) any agreement or stipulation with respect to the provision of adequate protection in any bankruptcy proceeding of any Person, (n) the avoidance of any Lien in favor of the Administrative Agent or any Lender for any reason, (o) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against any Person, including any discharge of, or bar or stay against collecting, all or any of the Obligations (or any interest thereon) in or as a result of any such proceeding, (p) to the extent permitted, the benefits of any form of one-action rule, or (q) any action taken by Lender that is authorized by these Joint Borrower Provisions or any other provision of any Loan Documents. Each Borrower expressly waives all setoffs and counterclaims and all presentments, demands for payment or performance, notices of nonpayment or nonperformance, protests, notices of protest, notices of dishonor and all other notices or demands of any kind or nature whatsoever with respect to the Obligations, and all notices of acceptance of the Loan Agreement or of the existence, creation or incurrence of new or additional Obligations.

_____5. LIENS ON REAL PROPERTY. In the event that all or any part of the Obligations at any time are secured by any one or more deeds of trust or mortgages or other instruments creating or granting Liens or any interests in real Property, each of the Borrowers authorizes the Administrative Agent and each Lender, upon the occurrence of and during the continuance of any Event of Default, at their sole option, without notice or demand and without affecting any Obligations of any such Person, the enforceability of the Loan Documents, or the validity or enforceability of any Liens of the Administrative Agent or any Lender on any collateral, to foreclose any or all of such deeds of trust or mortgages or other instruments by judicial or nonjudicial sale. Each Borrower expressly waives all rights and

any defenses to the enforcement of the Loan Documents or any rights of the Administrative Agent or any Lender created or granted thereby or to the recovery by the Administrative Agent and the Lenders against Borrowers, or any of them, any guarantor or any other Person liable therefor of any deficiency after a judicial or nonjudicial foreclosure or sale, even though such a foreclosure or sale because all or any part of the Obligations is secured by real Property. This means, among other things: (1) Administrative Agent and each Lender may collect from any Borrower, any guarantor or any other Person without first foreclosing on any real or personal Property collateral pledged by any Borrower, any other Party, any guarantor or any other Person. (2) If Administrative Agent or any Lender forecloses on any real Property collateral pledged by Borrowers, any guarantor or any other Person: (A) The amount of the Obligations may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price. (B) Administrative Agent and each Lenders may collect from Borrowers, any guarantor or any other Person even if the Administrative Agent or any Lender, by foreclosing on the real Property collateral, has destroyed any right any guarantor, any other Party or any other Person may have to collect from any Borrower. This is an unconditional and irrevocable waiver of any rights and defenses any Borrower may have because all or any part of the Obligations is secured by real Property. Each of the Borrowers expressly waives any defenses or benefits that may be derived from California Code of Civil Procedure ss.ss. 580a, 580b, 580d or 726, or comparable provisions of the Laws of any other jurisdiction, including, without limitation, NRS Section 40.430 and judicial decisions relating thereto, and NRS Sections 40.451, 40.455, 40.457 and 40.459, and all other suretyship defenses it otherwise might or would have under California Law or other applicable Law. Each Borrower expressly waives any right to receive notice of any judicial or nonjudicial foreclosure or sale of any real Property or interest therein subject to any such deeds of trust or mortgages or other instruments and any guarantor's or any other Person's failure to receive any such notice shall not impair or affect each Borrower's Obligations or the enforceability of the Joint Borrower Provisions or any rights of Administrative Agent or Lenders created or granted.

_____6. WAIVER OF RIGHTS OF SUBROGATION. Notwithstanding anything to the contrary elsewhere contained herein or in any other Loan Document to which any Borrower is a party, Borrowers hereby waive with respect each other and their respective successors and assigns (including any surety) and any other Person which is directly or indirectly a creditor of any Borrower or any surety for any Borrower, any and all rights at Law or in equity, to subrogation, to

reimbursement, to exoneration, to contribution, to setoff or to any other rights that could accrue to a surety against a principal, to a guarantor against a maker or obligor, to an accommodation party against the party accommodated, or to a holder or transferee against a maker and which any Borrower may have or hereafter acquire against each other or any other party in connection with or as a result of their execution, delivery and/or performance of this Loan Agreement or any other Loan Document to which any of them is a party. Borrowers agree that they shall not have or assert any such rights against one another or their respective successors and assigns or any other Person (including any surety) which is directly or indirectly a creditor of any surety for any Borrower, either directly or as an attempted setoff

to any action commenced against any other Person comprising any Borrower (as a Borrower or in any other capacity) or any other party. Each Borrower hereby acknowledges and agrees that this waiver is intended to benefit of Borrowers and Lenders and shall not limit or otherwise affect any of their liabilities hereunder, under any other Loan Document to which any of them is a party, or the enforceability hereof or thereof.

7. UNDERSTANDINGS WITH RESPECT TO WAIVERS AND CONSENTS. Borrowers, and each of them, warrant and agree that each of the waivers and consents set forth herein are made with full knowledge of their significance and consequences, with the understanding that events giving rise to any defense or right waived may diminish, destroy or otherwise adversely affect rights which they otherwise may have against each other, the Administrative Agent, the Lenders or others, or against any collateral, and that, under the circumstances, the waivers and consents herein given are reasonable and not contrary to public policy or Law. Each Borrower acknowledges that it has either consulted with legal counsel regarding the effect of the Loan Documents and the waivers and consents set forth therein, or has made an informed decision not to do so. If the Loan Documents or any of the waivers or consents herein are determined to be unenforceable under or in violation of applicable Law, such waivers and consents shall be effective to the maximum extent permitted by Law.

Exhibit 10.2

AMENDMENT NO. 2 TO FIVE YEAR LOAN AGREEMENT

This AMENDMENT NO. 2 TO FIVE YEAR LOAN AGREEMENT (this "Amendment") dated as of April 26, 2001 is executed with reference to the Five Year Loan Agreement (as amended from time to time, the "Loan Agreement") dated as of April 30, 1999, among Harrah's Operating Company, Inc., a Delaware corporation ("Company"), Marina Associates, a New Jersey general partnership ("Marina" and together with the Company and such other Subsidiaries that become Borrowers pursuant to Section 2.10 thereof "Borrowers"), as Borrowers, Harrah's Entertainment, Inc., a Delaware corporation (the "Parent"), as Guarantor, Bank of America N.A. (formerly Bank of America National Trust and Savings Association) and each lender from time to time a party thereto (collectively, the "Lenders" and individually, a "Lender"), Bankers Trust Company, as Syndication Agent, Canadian Imperial Bank of Commerce and Societe Generale, as Documentation Agents, Commerzbank AG, PNC Bank, National Association and Wells Fargo Bank, N.A., as Co-Documentation Agents, and Bank of America National Trust and Savings Association (now known as Bank of America, N.A.), as Administrative Agent. Terms defined in the Loan Agreement are used herein with the same meanings.

The Borrowers, Guarantor and the Administrative Agent, acting on behalf of the Lenders under the Loan Agreement hereby agree as follows:

1. RELEASE OF CO-BORROWER. Red River Entertainment of Shreveport Partnership in Commendam, a Louisiana limited partnership ("Red River") which is a Subsidiary of Parent, has heretofore been designated as a co-Borrower pursuant to Section 2.10 of the Loan Agreement. Each of the Parent and the Borrowers hereby represent and warrant that, as of the effective date of this Amendment, no obligations are owed by Red River to the Lenders under its Aggregate Sublimit.

Each of the Company, the Borrowers and the Lenders agree that upon the effectiveness of this Amendment, Red River shall cease to be a Borrower for all purposes of the Loan Agreement and the Loan Documents. Each Borrower and Guarantor consent to the foregoing release and termination and agree that nothing in this Section 1 shall waive, alter, diminish or modify any Obligations of any Borrower (other than Red River to the extent set forth above) or Guarantor, which Obligations are hereby reaffirmed.

2. SECTION 1.1 - NEW DEFINED TERMS. Section 1.1 of the Loan Agreement is hereby amended by adding the following defined terms in the appropriate alphabetical order:

> "MANAGEMENT COMPANY" means any Subsidiary of Parent which has no substantial assets other than contractual rights to receive fees under management agreements, development agreements or similar instruments.
>
> "INTERCOMPANY DEBT" means any Indebtedness owed by a Subsidiary of any Borrower to a Borrower.
>
> "JOINT VENTURE HOLDING COMPANY" means any Subsidiary of Parent which has no substantial assets other than equity securities, securities convertible into equity securities and warrants, options or similar rights to purchase such equity securities or convertible securities (and any dividends, cash, instruments or other property received

> in respect of or in exchange for any of the foregoing), in each case issued by Persons which are not Subsidiaries of Parent.

3. CORRECTION TO SECTION 4.16. Section 4.16 of the Loan Agreement is hereby amended to correct the reference to "Environmental Laws" by replacing it with a reference to "Hazardous Materials Laws."

4. SECTION 6.4 - LIENS, ETC.. Section 6.4(g) of the Loan Agreement is hereby amended and restated in its entirety as follows:

> "(g) Liens, Negative Pledges and Rights of Others held by joint venture partners and any assignees thereof, and lenders thereto and any assignees thereof, with respect to the interests of Parent and its Subsidiaries in (i) that joint venture and the proceeds thereof or (ii) the capital stock or other equity ownership

interests held by any Joint Venture Holding Company in that joint venture and the proceeds thereof, PROVIDED, in each case, that such Liens, Negative Pledges and Rights of Others shall secure and relate only the obligations of such joint venture or Contingent Obligations permitted by Section 6.7(g);"

5. SECTION 6.7 - SUBSIDIARY INDEBTEDNESS. Section 6.7 of the Loan Agreement is hereby amended by so that clause (f) thereof reads in full as follows and to add new clauses (g) and (h):

"(f) Intercompany Debt, PROVIDED such Indebtedness is not subject to any Lien (other than Liens in favor of the Administrative Agent and the Lenders);

(g) Contingent Obligations of Management Companies consisting of guarantees of Indebtedness of Persons which are the counterparties to any management agreement, development agreement or other similar instruments to which such Management Companies are also party, PROVIDED that (i) the assets of each Management Company issuing any such guarantees shall not exceed 1.0% of Net Tangible Assets at any time, and (ii) the aggregate amount of assets of all Subsidiaries issuing guarantees permitted by this Section 6.7(g) shall not exceed 5% of Net Tangible Assets at any time; and

(h) Contingent Obligations of Joint Venture Holding Companies consisting of guarantees of Indebtedness of Persons in which such Joint Venture Holding Companies own equity securities, PROVIDED that the other Persons owning such equity securities have also ratably guaranteed such Indebtedness."

6. CONDITIONS PRECEDENT. As conditions precedent to the effectiveness of this Amendment, the Administrative Agent shall have received executed counterparts of this Amendment from each of the Borrowers and the Guarantor and the consents hereto from the Requisite Lenders;

7. COUNTERPARTS. This Amendment may be executed in counterparts in accordance with Section 11.7 of the Loan Agreement.

8. CONFIRMATION. In all other respects, the Loan Agreement is confirmed.

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., as Guarantor

By: _____
Charles L. Atwood, Vice President and Treasurer

HARRAH'S OPERATING COMPANY, INC., as a Borrower

By: _____
Charles L. Atwood, Vice President and Treasurer

MARINA ASSOCIATES, as a Borrower

By: Harrah's New Jersey, Inc., general partner

By:_____
Charles L. Atwood, authorized signatory

By: Harrah's Atlantic City, Inc., general partner

By:_____
Charles L. Atwood, authorized signatory

By: RED RIVER ENTERTAINMENT OF SHREVEPORT PARTNERSHIP IN COMMENDAM, a Louisiana limited partnership

By: Harrah's Shreveport Investment

Company, general partner

By:_____

Its:_____

By: Harrah's Shreveport Management Company, general partner

By:_____

Its:_____

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

By: _____
Janice Hammond, Vice President

CONSENT OF LENDER

This Consent of Lender is delivered with reference to the Five Year Loan Agreement (as amended from time to time, the "Loan Agreement") dated as of April 30, 1999, among Harrah's Operating Company, Inc., a Delaware corporation ("Company"), Marina Associates, a New Jersey general partnership ("Marina" and together with the Company and such other Subsidiaries that become Borrowers pursuant to Section 2.10 thereof, "Borrowers), as Borrowers, Harrah's Entertainment, Inc., a Delaware corporation (the "Parent"), as Guarantor, Bank of America, N.A. (formerly Bank of America National Trust and Savings Association) and each lender from time to time a party thereto (collectively, the "Lenders" and individually, a "Lender"), Bankers Trust Company, as Syndication Agent, Canadian Imperial Bank of Commerce and Societe Generale, as Documentation Agents, Commerzbank AG, PNC Bank, National Association and Wells Fargo Bank, N.A., as Co-Documentation Agents, 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 Loan Agreement.

The undersigned Lender is a party to the Five Year Loan Agreement and hereby consents to the execution, delivery and performance of the proposed Amendment No. 2 by the Administrative Agent on behalf of the Lenders to each such Loan Agreement to which it is a party, substantially in the forms presented to the undersigned as drafts.

_____
[Typed/Printed Name of Bank]

By: _____

_____
[Typed/Printed Name and Title]

Dated: _____, 2001

Exhibit 10.3

First Amendment to
Harrah's Entertainment, Inc. (the "Company")
Executive Supplemental Savings Plan (the "Plan")

Pursuant to approval granted by the Human Resources Committee of the Company's Board of Directors on May 2, 2001, Section 4.5 of the Plan is amended by adding the following sentence at the end thereof:

"An Employee who has a deferred compensation agreement with Harrah's Club (which was succeeded to by Harrah's Operating Company, Inc. by merger) may, upon written agreement with Harrah's Operating Company, Inc., transfer the account balance of such deferred compensation agreement including accrued interest to the Plan. Upon such transfer, the transferred amount will be fully vested and shall be subject to all of the terms and provisions of the Plan including, specifically, earnings crediting and payment provisions"

IN WITNESS WHEREOF, this First Amendment has been executed as of the 2nd day of May, 2001.

Harrah's Entertainment, Inc.

By: /s/ ELAINE LO

Elaine Lo, Vice President
Compensation and Benefits

Exhibit 10.5

Amendment ("this Amendment")
to Deferred Compensation Agreement
dated October 1, 1986,
between Philip G. Satre ("Executive") and
Harrah's Operating Company, Inc., successor
to Harrah's Club ("Company")
as amended January 1, 1987 and December 13, 1993
("Deferred Compensation Agreement")

In consideration of the mutual covenants herein, it is agreed as follows:

1. Paragraph (7) of the Deferred Compensation Agreement dated October 1, 1986 is amended to add the following language at the end of that paragraph:

"Notwithstanding the above, the entire balance of the Executive's deferred compensation account under this agreement including accrued interest ("Account Balance") may be transferred to the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan (the "ESSP")."

2. Executive and the Company hereby agree that the Account Balance will be transferred to the ESSP effective May 1, 2001 ("Transfer"). Upon such Transfer, Executive's rights regarding the Account Balance will be governed solely by the ESSP, and Executive and his beneficiaries will have no further rights under the Deferred Compensation Agreement, which shall be deemed automatically terminated upon such Transfer to the ESSP."

IN WITNESS WHEREOF, Executive and Company have executed this Amendment as of the 9th day of May, 2001.

Executive:

/s/ Philip G. Satre

Philip G. Satre

Company:

Harrah's Operating Company,
Inc. (successor to Harrah's Club)

By: /s/ Elaine Lo

Title: Vice President- Compensation
and Benefits

Exhibit 10.6

AMENDMENT TO EXECUTIVE EMPLOYMENT AGREEMENT

This Amendment to the Employment Agreement of John Boushy is entered into on April 30, 2001, by and between Harrah's Operating Company, Inc. ("Company") and John Boushy ("Executive").

WHEREAS, the Company and Executive entered into an Employment Agreement effective April 1, 1998, and ending March 31, 2002; and

WHEREAS, Executive has performed in an appropriate manner, and has remained a member of the Senior Partners Group;

The parties, therefore, agree to renew and extend Executive's Employment Agreement in the following manner:

1. Executive's title is modified to reflect his current title of Senior Vice President of Operations Products, Services and CIO.

2. Executive base salary is modified to reflect his current salary of $380,000.

3. The term of the Agreement is extended from April 1998, through March 1, 2003.

4. All other terms of Executive's Employment Agreement will remain in effect, including but not limited to the provisions of Paragraph 14 (Non-Competition).

IN WITNESS WHEREOF, the parties have executed this Amendment to the Employment Agreement of John Boushy as of the date first written above.

EXECUTIVE	HARRAH'S OPERATING COMPANY, INC.
/s/ JOHN M. BOUSHY - ----------	/s/ PHILIP G. SATRE ----------
JOHN M. BOUSHY	PHILIP G. SATRE Chairman of the Board, and Chief Executive Officer

Exhibit 10.7

HARRAH'S ENTERTAINMENT, INC

April 23, 2001

Mr. Charles L. Atwood
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119

Re: SEVERANCE AGREEMENT

Dear Chuck:

Harrah's Entertainment, Inc. (the "Company") considers it essential to the best interest of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a change in control may exist and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Company, although no such change is now contemplated.

In order to induce you to remain in the employ of the Company or its subsidiaries and in consideration of your agreements set forth in Subsection 2(b) hereof, the Company agrees that you shall receive the severance benefits set forth in this letter agreement ("this Agreement") in the event your employment with the Company or its subsidiaries terminates subsequent to a "Change in Control of the Company" (as defined in Section 2 hereof) under the circumstances described below.

1. TERM OF AGREEMENT. This Agreement shall commence on April 23, 2001, and shall continue in effect through December 31, 2001; PROVIDED, HOWEVER, that commencing on January 1, 2002 and each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than

December 31 of the preceding year, the Company shall have given you written notice that it does not wish to extend this Agreement; PROVIDED, FURTHER, if a Change in Control of the Company shall have occurred during the original or extended term of this Agreement, this Agreement shall automatically continue in effect for a period of twenty-four months beyond the month in which such Change in Control occurred.

2. CHANGE IN CONTROL.

(a) No benefit shall be payable to you hereunder unless there shall have been a Change in Control of the Company, as set forth below. For purposes of this Agreement, a "Change in Control of the Company" shall be deemed to have occurred, subject to subparagraph (iv) hereof, if any of the events in subparagraphs (i), (ii) or (iii) occur:

(i) Any "person" (as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than an employee benefit plan of the Company, or a trustee or other fiduciary holding securities under an employee benefit plan of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 25% or more of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board, regardless of comparative voting power

of such voting securities, and regardless of whether or not the Board shall have approved the acquisition of such securities by the acquiring person; or

(ii) 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 (i) or (iii) of this Subsection) 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

(iii) The holders of securities of the Company entitled to vote thereon approve the following:

(A) A merger or consolidation of the Company with any other corporation regardless of which entity is the surviving company, other than a merger or consolidation which would result in the voting securities of the Company carrying the right to vote in elections of persons to the Board outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of (a) the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board, or (b) the voting securities of such surviving entity outstanding immediately after such merger or consolidation, or

(B) A plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

(iv) Notwithstanding the definition of a "Change in Control" of the Company as set forth in this Section 2(a), the Human Resources Committee of the Board (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, and the date of the occurrence of such Change in Control and any incidental matters relating thereto, with respect to a transaction or series of transactions which have resulted or will result in a substantial portion of the assets or business of the Company (as determined, prior to the transaction or series of transactions, by the Committee in its sole discretion which determination as to whether a substantial portion is involved shall be final and conclusive) being held by a corporation at least 80% of whose voting securities are held, immediately following such transaction or series of transactions, by holders of the voting securities of the Company (as determined by the Committee in its sole discretion prior to such transaction or series of transactions which determination as to whether the 80% amount will be satisfied shall be final and conclusive). The Committee may exercise any such discretionary authority without regard to whether one or more of the transactions in such series of transactions would otherwise constitute a Change in Control of the Company under the definition set forth in this Section 2(a).

(b) For purposes of this Agreement, a "Potential Change in Control of the Company" shall be deemed to have occurred if the following occur:

(i) The Company enters into a written agreement or letter of intent, the consummation of which would result in the occurrence of a Change in Control of the Company;

(ii) Any person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control of the Company;

(iii) Any person (other than an employee benefit plan of the Company, or a trustee or other fiduciary holding securities under an employee benefit plan of the Company) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 9.5% or more of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board increases such beneficial ownership of such securities by an additional five percentage points or more thereby beneficially owning 14.5% or more of such securities; or

(iv) The Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control of the Company has occurred.

You agree that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control of the Company, you will remain in the employ of the Company (or the subsidiary thereof by which you are employed at the date such Potential Change in Control occurs) until the earliest of (x) a date which is six months from the occurrence of such Potential Change in Control of the Company, (y) the termination by you of your employment by reasons of Disability or Retirement (at your normal retirement age), as defined in Subsection 3(a), or (z) the occurrence of a Change in Control of the Company.

(c) GOOD REASON. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of the Company, of any of the following circumstances unless, in the case of paragraphs (i), (v), (vi), (vii) or (viii), such circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections 3(e) and 3(d), respectively, given in respect thereof:

(i) The assignment to you of any duties inconsistent with your status as an executive officer of the Company (or your status in the position held by you immediately prior to the Change in Control) or a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change in Control of the Company;

(ii) A reduction by the Company in your annual base salary as in effect on the date hereof or as the same may be increased from time to time except for an across-the-board salary reduction of a specific percentage applied to all individuals at grade levels 26 and above and all individuals in similar grade levels of any person in control of the Company;

(iii) The relocation of the Company's principal executive offices where you are working immediately prior to the Change in Control of the Company to a location more than 50 miles from the location of such offices immediately prior to the Change in Control of the Company or the Company's requiring you to be based anywhere other than the location of the Company's principal executive offices where you were working immediately prior to the Change in Control of the Company except for required travel on the Company's business to an extent substantially consistent with your business travel obligations during the year prior to the Change in Control;

(iv) The failure by the Company, without your consent, to pay to you any portion of your current compensation except pursuant to an across-the-board compensation deferral of a specific percentage applied to all individuals in grade levels 26 or above and all individuals in similar grades of any person in control of the Company, or to pay to you any portion of an installment of deferred compensation under any deferred compensation program of the Company, within thirty days of the date such compensation is due;

(v) The failure by the Company to continue in effect any compensation plan in which you are participating immediately prior to the Change in Control of the Company which is material to your total compensation, including but not limited to, the Company's Bonus Plan, Executive Deferred Compensation Plan, Deferred Compensation Plan, Restricted Stock Plan, Stock Option Plan, or any substitute plans adopted prior to the Change in Control, unless an equitable arrangement (embodied

in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed immediately prior to the Change in Control of the Company;

(vi) The failure by the Company to continue to provide you with benefits substantially similar to those enjoyed by you under any of the Company's pension, savings and retirement plan, life insurance, medical, health and accident, or disability plans in which you were participating at the time of the

Change in Control of the Company, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change in Control of the Company, or the failure by the Company to provide you with the number of paid vacation or PTO days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy and/or PTO policy in effect at the time of the Change in Control of the Company;

(vii) The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 hereof; or

(viii) Any purported termination of your employment by the Company which is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection 3(d) hereof and the requirements of Subsection 3(b) below; for purposes of this Agreement, no such purported termination shall be effective.

Your right to terminate your employment pursuant to this Agreement for Good Reason shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

3. TERMINATION FOLLOWING CHANGE IN CONTROL (OR PRIOR TO A CHANGE IN CONTROL IN SPECIFIC CIRCUMSTANCES). If any of the events described in Subsection 2(a) hereof constituting a Change in Control of the Company shall have occurred, then following such Change in Control, you shall be entitled to the benefits provided in Subsection 4(c) hereof: (1) if your employment was terminated within six months prior to the Change of Control under the circumstances described in Section 4.(2) below, or (2) if your employment is terminated during the term of this Agreement after such Change in Control if such termination is (y) by the Company, other than for Cause or (z) by you for Good Reason as provided in Subsection 3(c)(i) hereof or by your Voluntary Termination as provided in Subsection 3(c)(ii) hereof.

(a) DISABILITY; RETIREMENT. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for six consecutive months, and within thirty days after written notice of termination is given you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability". Termination by the Company or you of your employment based on "Retirement" shall mean termination at

age 65 (or later) with ten years of service or retirement in accordance with any retirement contract between the Company and you.

(b) CAUSE. Termination by the Company of your employment for "Cause" shall mean termination upon your engaging in willful and continued misconduct, or your willful and continued failure to substantially perform your duties with the Company (other than due to physical or mental illness), if such failure or misconduct is materially damaging or materially detrimental to the business and operations of the Company, PROVIDED that you shall have received written notice

of such failure or misconduct and shall have continued to engage in such failure or misconduct after 30 days following receipt of such notice from the Board, which notice specifically identifies the manner in which the Board believes that you have engaged in such failure or misconduct. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without your reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of failure to substantially perform your duties or of misconduct in accordance with the first sentence of this Subsection, and of continuing such failure to substantially perform your duties or misconduct as aforesaid after notice from the Board, and specifying the particulars thereof in detail.

(c) VOLUNTARY RESIGNATION. After a Change in Control of the Company and for purposes of receiving the benefits provided in Subsection 4(c) hereof, you shall be entitled to terminate your employment by voluntary resignation given at any time during the two years following the occurrence of a Change in Control of the Company hereunder, PROVIDED such resignation is (i) by you for Good Reason or (ii) by you voluntarily without the necessity of asserting or establishing Good Reason and regardless of your age or any disability and regardless of any grounds that may exist for the termination of your employment if such voluntary termination occurs by written notice given by you to the Company during the thirty days immediately following the one year anniversary of the Change in Control (your "Voluntary Termination"), provided, however, for purposes of this Subsection 3(c)(ii) only, the language "25% or more" in Subsection 2(a)(i) hereof is changed to "a majority". Such resignation shall not be deemed a breach of any employment contract between you and the Company.

(d) NOTICE OF TERMINATION. Any purported termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 6 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(e) DATE OF TERMINATION, ETC. "Date of Termination" shall mean:

(i) If your employment is terminated for Disability, thirty days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such thirty day period), and

(ii) If your employment is terminated pursuant to Subsection (b) or (c) above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection (b) above shall not be less than thirty days, and in the case of a termination pursuant to Subsection (c) above shall not be less than fifteen nor more than sixty days (thirty days in case of your Voluntary Termination), respectively, from the date such Notice of Termination is given);

PROVIDED that if within fifteen days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this provision), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); PROVIDED FURTHER that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, bonus,

benefit and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

4. COMPENSATION UPON TERMINATION FOLLOWING A CHANGE OF CONTROL (OR IF TERMINATION OCCURS PRIOR TO A CHANGE IN CONTROL IN SPECIFIC CIRCUMSTANCES). Following a Change in Control of the Company as defined in Subsection 2(a), then: (1) upon termination of your employment after such Change in Control, or (2) notwithstanding anything in this Agreement to the contrary, if termination of your employment occurred within six months prior to the Change in Control if such termination was by the Company without Cause by reason of the request of the person or persons (or their representatives) who subsequently acquire control of the Company in the Change of Control transaction, you shall be entitled to the following benefits:

(a) Deleted.

(b) If your employment shall be terminated by the Company for Cause, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus the Company shall pay all other amounts and honor all rights to which you are entitled under any compensation plan of the Company at the time such payments are due, and the Company shall have no other obligations to you under this Agreement.

(c) If your employment shall be terminated (y) after a Change of Control, by the Company other than for Cause or (z) after a Change of Control, by you for Good Reason or by your Voluntary Termination as provided in Subsection 3(c)(ii), or (yy) within six months prior to a Change of Control, by the Company under the circumstances described in Section 4.(2) above, then you shall be entitled to the benefits provided below:

(i) The Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation or benefit plan of the Company, at the time such payments are due;

(ii) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") equal to 3.0 times the average of the Annual Compensation (as defined below) payable to you by the Company or any corporation affiliated with the Company within the meaning of Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code"). Annual Compensation is defined to consist of two components: (a) Your annual salary in effect immediately prior to the Change in Control or in effect as of the Date of Termination, whichever annual salary is higher. Your annual salary for this purpose will be determined without any reduction for deferrals of such salary

under any deferred compensation plan (qualified or unqualified) and without any reduction for any salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from salary for any reason; plus (b) The average of your annual bonuses under the Company's Annual Management Bonus Plan, or any substitute or successor plan including the Key Executive Officer Annual Incentive Plan, for the three highest calendar years, in terms of annual bonus paid to you in such years, during the five calendar years preceding the calendar year in which the Change in Control occurred. Your annual bonuses for this purpose will be determined without any reduction for deferrals under any deferred compensation plan (qualified or unqualified) and without any reduction for salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from bonus for any reason. If you were not employed by

the Company or its affiliates for a sufficient period of time to receive annual bonuses during each of the five calendar years before the Change in Control occurred, then the average bonus will be measured using the three highest calendar years, in terms of annual bonus paid to you, in all the consecutive calendar years immediately preceding the date the Change in Control occurred. If you were not eligible for three years of bonuses paid during the calendar years immediately preceding the date the Change in Control occurred, then the average bonus will be the average of the annual bonuses that were paid to you during such time under such Plan. If you were not eligible for any bonus during such time because of not being employed by the Company for a sufficient period of time to qualify for a previous bonus payment, then Annual Compensation will only consist of the salary component as provided above and will not include a bonus component.

(iii) The Company shall also pay to you a pro rata amount of your target bonus (the bonus amount for your grade level assuming 100 bonus points are earned) as shown on the matrix for the Annual Management Bonus Plan (or any substitute or successor plan) attributable to the bonus plan year which contains your Date of Termination, regardless of whether or not any bonus is determined to be actually earned for such year, provided that the target bonus for calculating this pro rata payment will not be less than the target bonus under such Plan for the Plan year that contains the day immediately prior to the Change in Control (which target bonus will be the one that applies to your grade level at that time) regardless of whether or not any bonus was payable for such year. The pro-rata amount will be based on the percentage of days of your employment in the calendar year of the Date of Termination. For example, if the Date of Termination is October 1 in a year with 365 days, with October 1 counted as the last day of employment for a total of 274 days of employment that year,

then the pro-rata amount will be 75.06849% of target bonus (274 days/365 days). In addition, the Company shall pay to you the amounts of any compensation or awards payable to you or due to you under any incentive compensation plan of the Company including, without limitation, the Company's Restricted Stock Plan, Stock Option Plan (the "Option Plan") and Annual Management Bonus Plan (or any substitute or successor plan including the Key Executive Officer Annual Incentive Plan) and under any agreements with you in connection therewith, and shall make any other payments and take any other actions and honor such rights you may have accrued under such plans and agreements including any rights you may have to payments after the Date of Termination, which will include the payment to you of any bonus earned during the bonus year fully completed prior to the Date of Termination if such Date of Termination occurs prior to the payment date for such bonus, it being understood, however, that the pro-rata payment provided for in the first sentence of this paragraph 4(c)(iii) is in lieu of any bonus earned for the bonus plan year during which occurred the Date of Termination.

(iv) In lieu of shares of common stock of the Company or any securities of a successor company which shall have replaced such common stock ("Company Shares") issuable upon exercise of outstanding and unexercised options (whether or not they are fully exerciseable or "vested"), if any, granted to you under the Option Plan including options granted under the plan of any successor company that replaced or assumed the options under said Option Plan ("Options") (which Options shall be cancelled upon the making of the payment referred to below), you shall receive an amount in cash equal to the product of (y) the excess of the higher of the closing price of Company Shares as reported on the New York Stock Exchange on or nearest the Date of Termination (or, if not listed on such exchange, on a nationally recognized exchange or quotation system on which trading volume in Company Shares is highest) or the highest per share price (including cash, securities and any other consideration) for Company Shares actually paid in connection with any change in control of the Company, over the per share exercise price of each Option held by you (whether or not then fully exercisable or "vested"), times (z) the number of Company Shares covered by each such option.

(v) The Company shall also pay to you all legal fees and expenses incurred by you as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the

application of Section 4999 of the Code to any payment or benefit provided hereunder).

(vi) In the event that you become entitled to the payments (the "Severance Payments") provided under paragraphs (ii), (iii), and (iv), above (and Subsections (d) and (e), below), and if any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, the Company shall pay to you at the time specified in paragraph (vii), below, an additional amount (the "Gross-Up Payment") such that the net amount retained by you (such net amount to be the amount remaining after deducting any Excise Tax on the Severance Payments and any federal, state and local income tax and Excise Tax payable on the payment provided for by this paragraph), shall be equal to the amount of the Severance Payments after deducting normal and ordinary taxes but not deducting (a) the Excise Tax and (b) any federal, state and local income tax and Excise tax payable on the payment provided for by this paragraph. For example, if the Severance Payments are $1,000,000 and if you are subject to the Excise Tax, then the Gross-Up Payment will be such that you will retain an amount of $1,000,000 less only any normal and ordinary taxes on such amount. (The Excise Tax and federal, state and local taxes and any Excise Tax on the payment provided by this paragraph will not be deemed normal and ordinary taxes). For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, the following will apply:

(A) Any other payments or benefits received or to be received by you in connection with a Change in Control of the Company or your termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a Change in Control of the Company or any person affiliated with the Company or such person) shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Company's independent auditors and acceptable to you such other payments or benefits (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the base amount within the meaning of Section 280G(b)(3) of the Code, or are otherwise not subject to the Excise Tax;

(B) The amount of the Severance Payments which shall be treated as subject to the Excise Tax shall be equal to the lesser of (y) the total amount of the Severance Payments or (z) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (A), above); and

(C) The value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with proposed, temporary or final regulations under Sections 280G(d)(3) and (4) of the Code or, in the absence of such regulations, in accordance with the principles of Section 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay Federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the amount of Excise Tax attributable to Severance Payments is subsequently determined to be less than the amount taken into account hereunder at the time of termination of your employment, you shall repay to the Company, at the time that the amount of such

reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus the portion of the Gross-Up Payment attributable to the Excise Tax and Federal (and state and local) income tax imposed on the Gross-Up Payment being repaid by you if such repayment results in a reduction in Excise Tax and/or a Federal (and state and local) income tax deduction) plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. In the event that the Excise Tax attributable to Severance Payments is determined to exceed the amount taken into account hereunder at the time of the termination of your employment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional gross-up payment to you in respect of such excess (plus any interest payable with respect to such excess) at the time that the amount of such excess is finally determined.

(vii) The payments provided for in paragraphs (ii), (iii), (iv) and (vi) above, shall be made not later than the fifth day following the Date of Termination (or following the date of the Change in Control if your employment is terminated under the circumstances described in Section 4.(2) above), PROVIDED, HOWEVER, that if the amounts of such payments cannot be finally determined on or before such day, the Company shall pay to you on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth day after the Date of Termination (or following the date of the Change in Control if your employment is terminated under the circumstances described in Section 4.(2) above). In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to you payable on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

(d) If your employment shall be terminated (y) by the Company other than for Cause, or (z) by you voluntarily for Good Reason or by your Voluntary Termination, or by the Company within six months prior to a Change in Control under the circumstances described in Section 4.(2) hereof, then for a twenty-four month period after such termination, the Company shall arrange to provide you with life, disability, accident and health insurance benefits substantially similar to those which you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Subsection 4(d) shall be reduced to the extent comparable benefits are actually received by you during the twenty-four month period following your termination, and any such benefits actually received by you shall be reported to the Company.

(e) In the event a Change in Control of the Company occurs while you are employed with the Company or its affiliates but after you and the Company have executed an agreement that expressly provides for your subsequent retirement including an agreement that expressly provides for your early retirement, then the present value, computed using a discount rate of 8% per annum, of (i) the total amount of all unpaid deferred payments as payable to you in accordance with the payment schedule that you elected when the deferral was agreed to and using the plan interest rate applicable to your situation, including, without limitation, any unpaid deferred payments to be paid to you under the Company's Executive Deferred Compensation Plan and the Company's other deferred compensation plans, and (ii) the total amount of all other payments payable or to become payable to you or your estate or beneficiary

under such retirement agreement (other than payments payable pursuant to a plan qualified under Section 401(a) of the Internal Revenue Code) shall be accelerated and paid to you (or your estate or beneficiary if applicable) in a lump sum cash payment within five business days after the occurrence of the Change in Control of the Company. In addition, if you and the Company or its

affiliates have executed such a retirement agreement and if the Change in Control of the Company occurs before the effective date of your retirement, then you shall receive the Severance Payment payable under Subsection 4(c)(ii) herein in addition to the lump sum cash payment of the present value of your total unpaid deferred payments and other payments under the retirement agreement as aforesaid. All benefits (other than the payments accelerated and paid out to you in a lump sum as provided above) to which you or your estate or any beneficiary are entitled under such retirement agreement shall continue in effect notwithstanding the Change in Control of the Company. This Subsection 4(e) shall survive your retirement.

(f) Notwithstanding that a Change in Control shall not have yet occurred, if you so elect, by written notice to the Company given at any time after the date hereof and prior to the time such amounts are otherwise payable to you:

(i) The Company shall deposit with an escrow agent, pursuant to an escrow agreement between the Company and such escrow agent, a sum of money, or other property permitted by such escrow agreement, which are substantially sufficient in the opinion of the Company's management to fund payment of the following amounts to you, as such amounts become payable (provided such deposit will not be necessary to the extent the escrow already contains funds or other assets which are substantially sufficient in the opinion of the Company's management to fund such payments) :

(A) Amounts payable, or to become payable, to you or to your beneficiaries or your estate under the Company's Executive Deferred Compensation Plan and under any agreements related thereto in existence at the time of your election to make the deposit into escrow.

(B) Amounts payable, or to become payable, to you or to your beneficiaries or your estate by reason of your deferral of payments payable to you prior to the date of your election to make the deposit into escrow under any other deferred compensation agreements between you and the Company in existence at the time of your election to make the deposit into escrow, including but not limited to deferred compensation agreements relating to the deferral of salary or bonuses.

(C) Amounts payable, or to become payable, to you or to your beneficiaries or your estate under any executed agreement that expressly provides for your retirement from the Company (including payments described under Subsection 4(e) above) which agreement is in existence at the time of your election to make the deposit into escrow, other than amounts payable by a plan qualified under Section 401(a) of the Code.

(D) Subject to the approval of the Committee, amounts then due and payable to you, but not yet paid, under any other benefit plan or incentive compensation plan of the Company (whether such amounts are stock or cash) other than amounts payable to you under a plan qualified under Section 401(a) of the Code.

(ii) Within 5 days after the occurrence of a Potential Change of Control, the Company shall deposit with an escrow agent (which shall be the same escrow agent, if one exists, acting pursuant to clause (i) of this Subsection 4(f)), pursuant to an escrow agreement between the Company and such escrow agent, a sum of money, or other property permitted by such escrow agreement, substantially sufficient in the opinion of Company management to fund the payment to you of the amounts specified in Subsection 4(c) of this Agreement.

(iii) It is intended that any amounts deposited in escrow pursuant to the provisions of clause (i) or (ii) of this Subsection 4(f), shall be subject to the claims of the Company's creditors, as set forth in the form of such escrow agreement.

(g) You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be

owed by you to the Company, or otherwise (except as specifically provided in this Section 4).

(h) In addition to all other amounts payable to you under this Section 4, you shall be entitled to receive all benefits payable to you under any benefit plan of the Company in which you participate to the extent such benefits are not paid under this Agreement.

5. SUCCESSORS; BINDING AGREEMENT.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business

and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you terminate your employment voluntarily for Good Reason following a Change in Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(b) This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devises and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

6. NOTICES. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, by FAX if available, or by overnight courier service, addressed as follows:

To the Company:

General Counsel
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, Nevada 89119
FAX: 702-407-6418

To you:

Addressed to your name at your office address (or FAX number) with the Company or its affiliates (or any successor thereto) at the time the notice is sent and your home address at that time; and if you are not employed by the Company at the time of the notice,

your home address as shown on the records of the Company or its affiliates (or any successor thereto) on the date of the notice.

To such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

7. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in

writing and signed by you and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

8. VALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Las Vegas, Nevada in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

11. SIMILAR PROVISIONS IN OTHER AGREEMENT. The Severance Payment under this Agreement supersedes and replaces any previous severance agreement and any other severance payment to which you may be entitled under any previous agreement between you and the Company or its affiliates.

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

Very truly yours,

HARRAH'S ENTERTAINMENT, INC.

By: /s/ Stephen H. Brammell

Stephen H. Brammell
Senior Vice President

Agreed:

/s/ Charles L. Atwood
- ---
Charles L. Atwood

EXHIBIT 11

HARRAH'S ENTERTAINMENT, INC.

COMPUTATIONS OF PER SHARE EARNINGS

	SECOND QUARTER ENDED		SIX MONTHS ENDED	
	JUNE 30, 2001	JUNE 30, 2000	JUNE 30, 2001	JUNE 30, 2000
Income before extraordinary losses	$47,863,000	$47,214,000	$92,074,000	$77,962,000
Extraordinary losses, net	--	(716,000)	(131,000)	(716,000)
Net income	$47,863,000	$46,498,000	$91,943,000	$77,246,000
BASIC EARNINGS PER SHARE				
Weighted average number of common shares outstanding	116,123,691	118,625,181	115,381,532	119,947,456
BASIC EARNINGS PER COMMON SHARE				
Income before extraordinary losses	$ 0.41	$ 0.40	$ 0.80	$ 0.65
Extraordinary losses, net	--	(0.01)	--	(0.01)
Net income	$ 0.41	$ 0.39	$ 0.80	$ 0.64
DILUTED EARNINGS PER SHARE				
Weighted average number of common shares outstanding	116,123,691	118,625,181	115,381,532	119,947,456
Additional shares based on average market price for period applicable to:				
Restricted stock	692,434	245,749	657,389	345,715
Stock options	2,209,961	1,122,442	1,853,480	1,135,898
Average number of common and common equivalent shares outstanding	119,026,086	119,993,372	117,892,401	121,429,069
DILUTED EARNINGS PER COMMON AND COMMON EQUIVALENT SHARES				
Income before extraordinary losses	$ 0.40	$ 0.40	$ 0.78	$ 0.65
Extraordinary losses, net	--	(0.01)	--	(0.01)
Net income	$ 0.40	$ 0.39	$ 0.78	$ 0.64