

HARRAHS ENTERTAINMENT INC
Form DEF 14A
March 04, 2004

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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

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Check the appropriate box:

- Preliminary Proxy Statement
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HARRAH'S ENTERTAINMENT, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(3) Filing Party:

(4) Date Filed:

Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, Nevada 89119 USA

March 4, 2004

Dear Fellow Stockholders:

We cordially invite you to attend our 2004 Annual Meeting of Stockholders, which will be held on Thursday, April 29, 2004, at 11:00 a.m. in the Scintas Showroom, Rio All-Suite Hotel & Casino, 3700 West Flamingo Road, Las Vegas, Nevada.

At the meeting, we will elect four directors, vote on approval of the 2004 Equity Incentive Award Plan, vote on approval of the 2005 Senior Executive Incentive Plan, consider a shareholder proposal with respect to political contributions and ratify the appointment of Deloitte & Touche LLP as our independent public accountants for 2004.

Whether or not you expect to attend the meeting, please promptly complete, sign, date and return the enclosed proxy card, or grant your proxy electronically over the Internet or by telephone, so that your shares will be represented at the meeting. If you do attend, you may vote in person even if you have sent in your proxy card or voted electronically or by telephone.

We look forward to seeing you at the meeting.

Sincerely,

Philip G. Satre
Chairman of the Board

**HARRAH'S ENTERTAINMENT, INC.
NOTICE OF MEETING**

The 2004 Annual Meeting of Stockholders of Harrah's Entertainment, Inc. will be held in the Scintas Showroom, Rio All-Suite Hotel & Casino, 3700 West Flamingo Road, Las Vegas, Nevada on Thursday, April 29, 2004, at 11:00 a.m. for the following purposes:

1. To elect four Class II directors for three-year terms;
2. To vote on the approval of the 2004 Equity Incentive Award Plan, which replaces our 2001 Executive Stock Incentive Plan;
3. To vote on the approval of the 2005 Senior Executive Incentive Plan, which replaces our 2000 Senior Executive Incentive Plan;
4. To consider a shareholder proposal with respect to political contributions; and
5. To ratify the appointment of Deloitte & Touche LLP as our independent public accountants for the 2004 calendar year.
6. To transact any other business that properly comes before the meeting or any adjournments or postponements of the meeting.

Stockholders of record owning Company shares at the close of business on March 1, 2004, are entitled to vote at the meeting. A complete list of these stockholders will be available for ten days prior to the meeting at the Company's executive offices at One Harrah's Court, Las Vegas, Nevada 89119.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" PROPOSALS 1, 2, 3 AND 5 AND "AGAINST" PROPOSAL 4.

Scott E. Wiegand
Corporate Secretary

March 4, 2004

PLEASE COMPLETE THE ACCOMPANYING PROXY AND RETURN IT IN THE ENCLOSED ADDRESSED ENVELOPE, OR GRANT YOUR PROXY ELECTRONICALLY VIA THE INTERNET OR BY TELEPHONE.

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PROXY STATEMENT

Introduction

Our Board of Directors is soliciting proxies for the 2004 Annual Meeting of Stockholders. This Proxy Statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. *Please read it carefully.*

In this Proxy Statement:

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"we" and "the Company" mean Harrah's Entertainment, Inc. Our executive offices are located at One Harrah's Court, Las Vegas, Nevada 89119; and

"Annual Meeting" means the 2004 Annual Meeting of Stockholders to be held on April 29, 2004, at 11:00 a.m. in the Scintas Showroom, Rio All-Suite Hotel & Casino, 3700 West Flamingo Road, Las Vegas, Nevada, and any adjournment or postponement thereof.

A copy of our 2003 Annual Report to Stockholders, this Proxy Statement and accompanying proxy card are being mailed to our stockholders beginning on or about March 19, 2004.

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QUESTIONS AND ANSWERS

WHAT IS THE PURPOSE OF THE ANNUAL MEETING? At the annual meeting, stockholders will be asked to vote on the following proposals:

1. To elect four Class II directors for three-year terms;
2. To vote on the approval of the 2004 Equity Incentive Award Plan, which replaces our 2001 Executive Stock Incentive Plan;
3. To vote on the approval of the 2005 Senior Executive Incentive Plan, which replaces our 2000 Senior Executive Incentive Plan;
4. To consider a shareholder proposal with respect to political contributions; and
5. To ratify the appointment of Deloitte & Touche LLP as our independent public accountants for the 2004 calendar year.

The stockholders also will transact any other business that properly comes before the meeting.

WHO IS ENTITLED TO VOTE? The record date for the meeting is March 1, 2004. Only stockholders of record at the close of business on that date are entitled to vote at and attend the Annual Meeting. The only class of stock that can be voted at the meeting is our common stock. Each outstanding share of common stock is entitled to one vote on all matters that come before the meeting. At the close of business on the record date there were 112,599,066 shares of common stock outstanding. You may also have another person attending the meeting represent you by signing a proxy designating that person to act on your behalf.

WHAT IF MY SHARES ARE HELD IN "STREET NAME" BY A BROKER? If you are the beneficial owner of shares held in "street name" by a broker, your broker, as the record holder of the shares, must vote those shares in accordance with your instructions. If you do not give instructions to your broker, your broker can vote your shares with respect to "discretionary" items, but not with respect to "non-discretionary" items. On non-discretionary items, for which you do not give instructions, the shares will be treated as "broker non-votes." A discretionary item is a proposal that is considered routine under the rules of the New York Stock Exchange. Shares held in street name may be voted by your broker on discretionary items in the absence of voting instructions given by you. The proposals to be presented at the 2004 meeting are considered routine and therefore may be voted upon by your broker if you do not give instructions for the shares held by your broker.

WHAT IF I HOLD SHARES IN THE COMPANY STOCK FUND OF THE SAVINGS AND RETIREMENT PLAN? If you are a participant in the Company Stock Fund of the Savings and Retirement Plan, you have the right to vote the shares in your account. To do this you must sign and timely return the proxy card you received with this Proxy Statement, or grant your proxy by telephone or over the Internet by following the instructions on the proxy card. Your proxy card or telephone or Internet instructions will be considered your confidential voting instructions, and the plan trustee will direct your vote in the manner you indicate on the proxy card or in your telephone or Internet instructions. In order to do this, the plan trustee will receive overall vote tallies from our proxy tabulator, The Bank of New York, for all participants in each

plan. The overall vote tallies will not show how individual participants voted. The trustee will then register the vote tallies with the Inspector of Election at the Annual Meeting. If a plan participant's voting instruction is not received by The Bank of New York before the meeting, or if the

proxy is revoked by the participant before the meeting, the shares held by that participant will be considered unvoted. All unvoted shares in the plan will be voted at the Annual Meeting by the investment committee under the plan or a delegated member of such committee.

HOW MANY SHARES MUST BE PRESENT TO HOLD THE MEETING? The holders of a majority of the shares of our common stock outstanding on the record date, in person or by a valid proxy, must be present at the meeting for any business to be conducted. Proxies received but marked as abstentions or broker non-votes will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

WHAT IF A QUORUM IS NOT PRESENT AT THE MEETING? If a quorum is not present at the scheduled time of the Annual Meeting, we may adjourn the Annual Meeting, either with or without a vote of the stockholders. If we propose to have the stockholders vote whether to adjourn the meeting, the people named in the enclosed proxy will vote all shares of our common stock for which they have voting authority in favor of the adjournment. We also may adjourn the meeting if for any reason we believe that additional time should be allowed for the solicitation of proxies. An adjournment will have no effect on the business that may be conducted at the Annual Meeting.

HOW DO I VOTE?

1. **YOU MAY VOTE BY MAIL.** If you properly complete and sign the enclosed proxy card and return it in the enclosed envelope, it will be voted in accordance with your instructions. The enclosed envelope requires no additional postage if mailed either in the United States or Canada.
2. **YOU MAY VOTE BY TELEPHONE.** If you are a registered stockholder (if you hold your common stock in your own name), you may submit your voting instructions by telephone by following the instructions printed on the proxy card. If you submit your voting instructions by telephone, you do not have to mail in your proxy card.
3. **YOU MAY VOTE ON THE INTERNET.** If you are a registered stockholder (if you hold your common stock in your own name), you may vote on the Internet by following the instructions printed on the proxy card. If you vote on the Internet, you do not have to mail in your proxy card.

If you are a registered stockholder and attend the Annual Meeting, you may deliver your completed proxy card in person or vote in person by ballot at the meeting. If your shares are held in "street name" and you wish to vote at the Annual Meeting, you will need to obtain a proxy form from the institution that holds your shares.

CAN I VOTE BY TELEPHONE OR ON THE INTERNET IF I AM NOT A REGISTERED STOCKHOLDER? If your shares are held in "street name" by a broker or other nominee, you should check the voting form used by that firm to determine whether you will be able to submit your proxy by telephone or on the Internet. Participants in the Company Stock Fund of the Savings and Retirement Plan can submit their proxy by telephone or on the Internet.

CAN I CHANGE MY VOTE AFTER I SUBMIT MY PROXY? Yes, you may revoke your proxy at any time before it is voted at the Annual Meeting by:

signing and returning another proxy card with a later date;

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submitting another proxy by telephone or on the Internet (your latest telephone or Internet voting instructions are followed);
or

giving written notice of revocation to the Company's Secretary prior to or at the Annual Meeting.

Your attendance at the meeting will not have the effect of revoking your proxy unless you give written notice of revocation to the Corporate Secretary of the Company before the polls are closed. Any written notice revoking a proxy should be sent to our Corporate Secretary at One Harrah's Court, Las Vegas, Nevada 89119 and must be received before the polls are closed.

WHO WILL COUNT THE VOTES? The votes will be tabulated and certified by our transfer agent, The Bank of New York. A representative of The Bank of New York will serve as the inspector of election.

HOW DOES THE BOARD OF DIRECTORS RECOMMEND I VOTE ON THE PROPOSALS? Your Board recommends that you vote:

FOR election of the four nominees to the Board of Directors;

FOR approval of the adoption of the 2004 Equity Incentive Award Plan;

FOR approval of the adoption of the 2005 Senior Executive Incentive Plan;

AGAINST approval of a shareholder proposal; and

FOR ratification of the appointment of Deloitte & Touche LLP as the Company's independent public accountants for 2004.

WHAT IF I DO NOT SPECIFY HOW MY SHARES ARE TO BE VOTED? If you send in a signed proxy but do not give any voting instructions, your shares will be voted **FOR** election of the four nominees to the Board of Directors, approval of the adoption of the 2004 Equity Incentive Award Plan, approval of the adoption of the 2005 Senior Executive Incentive Plan and ratification of the appointment of Deloitte & Touche LLP as the Company's independent public accountants for 2004, and **AGAINST** approval of the shareholder proposal.

WILL ANY OTHER BUSINESS BE CONDUCTED AT THE MEETING? Our Board of Directors does not know of any other business that will be presented at the meeting. If any other proposal properly comes up for a vote at the meeting, however, the proxy holders will vote your shares in accordance with their best judgment.

WHAT ARE MY VOTING OPTIONS ON EACH PROPOSAL? You have three choices on each of the matters to be voted upon at the Annual Meeting. On the election of directors, by checking the appropriate box on your proxy card, you may: (a) vote for all of the director nominees as a group; (b) withhold authority to vote for all director nominees as a group; or (c) vote for all director nominees as a group except those nominees you identify on the appropriate line. On the other matters, by checking the appropriate box, you may: (a) vote "For" the proposal; (b) vote "Against" the proposal; or (c) "Abstain" from voting on the proposal.

HOW MANY VOTES ARE REQUIRED TO APPROVE THE PROPOSALS? Pursuant to our bylaws, an affirmative vote of a majority of shares of Stock represented and entitled to vote at the meeting, excluding abstentions, is required to approve the proposals before the Annual Meeting.

HOW WILL ABSTENTIONS BE TREATED? If you abstain from voting on one or more proposals, we will still include your shares for purposes of determining whether a quorum is present. Pursuant to our bylaws, the affirmative vote of a majority of the shares present at the meeting, excluding abstentions, is required for approval of the remaining proposals, so we will not treat abstentions as votes for or against a proposal.

WHAT HAPPENS IF A NOMINEE FOR DIRECTOR IS UNABLE TO STAND FOR ELECTION? If a nominee is unable to stand for election, our Board of Directors may either reduce the number of directors to be elected or select a substitute nominee. If a substitute nominee is selected, the proxy holders will vote your shares for the substitute nominee, unless you have withheld authority.

BOARD OF DIRECTORS

General Information Election of Directors

Our Certificate of Incorporation provides for a Board of Directors of not less than three nor more than seventeen directors and authorizes the Board periodically to set the number of directors within that range by a majority vote. The number of directors currently set by the Board is eleven.

Our Certificate of Incorporation also divides our Board of Directors into three classes with staggered terms. Each class of directors is elected for a term of three years. Four Class II directors are to be elected at the 2004 Annual Meeting for a three-year term ending in 2007.

Our Board has nominated the following individuals for election to Class II positions with their term in office expiring in 2007: Ralph Horn, Gary W. Loveman, Philip G. Satre, and Boake A. Sells.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" EACH OF THESE NOMINEES.

In the event that any of these nominees becomes unable or decides not to serve as a director at the time of the Annual Meeting, our Board will either reduce the number of directors to be elected or select a substitute nominee, and the proxy will be voted for the substitute. We presently have no reason to believe that the nominees listed above will be unable or will decide not to serve if elected, and each nominee has informed us that he consents to serve and will serve if elected.

Directors: Class II, Term to Expire 2007

Ralph Horn

Mr. Horn, 63, a private investor, was Chairman of the Board of First Tennessee National Corporation, a banking corporation, from January 1996 until December 2003. He was a director of that company from July 1991 to December 2003 and was its Chief Executive Officer from April 1994 to July 2002, its President from July 1991 to July 2002, and its Chief Operating Officer from 1991 to 1994. He has been a director of the Company since July 1995. He is also a director of Gaylord Entertainment Company, a hospitality and entertainment company, and Mid-America Apartment Communities, Inc., an umbrella partnership real estate investment trust. From April 1995 to February 25, 2004, he was the Chairman of the Audit Committee and a member of the Executive Committee of the Board. On February 25, 2004, Mr. Horn ceased being a member of the Audit Committee and became a member of the Human Resources and Nominating/Corporate Governance Committees. He also continues to be a member of the Executive Committee.

Gary W. Loveman

Mr. Loveman, 43, has been a director of the Company since February 2000 and Chief Executive Officer since January 2003. He has been the Company's President since April 2001 and was its Chief Operating Officer from May 1998 through December 2002. He was a member of the three-executive Office of the President from May 1999 to April 2001 and was Executive Vice President from May 1998 to May 1999. Mr. Loveman was Associate Professor of Business Administration, Harvard University Graduate School of Business Administration from 1994 to 1998, where his responsibilities included teaching MBA and executive education students, research and publishing in the field of service management, and consulting and advising large service companies. He is also a director of Coach, Inc., a designer and marketer of high quality handbags and women's and men's accessories. He is a member of the Executive Committee of the Board.

Philip G. Satre

Mr. Satre, 54, has been Chairman of the Board of the Company since January 1997 and a director of the Company since 1990. He was Chief Executive Officer from April 1994 through December 2002, a member of the three-executive Office of the President from May 1999 to April 2001, and was President from April 1991 to May 1999. He is also a director of TABCORP Holdings Limited, an Australia public company in the leisure and entertainment business. He is the Chairman of the Executive Committee of the Board.

Boake A. Sells

Mr. Sells, 66, a private investor, was Chairman of the Board and Chief Executive Officer of Revco D.S., Inc., a retail pharmacy chain, from September 1987 to October 1992 and was President of that company from April 1988 to June 1992. He has been a director of the Company since February 1990. He is a member of the Executive, Human Resources and Nominating/Corporate Governance Committees of the Board.

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The terms of the Company's four Class III directors expire at the annual meeting of stockholders to be held in 2005, and the terms of the Company's three Class I directors expire at the annual meeting of stockholders to be held in 2006. Following is information about each Class III and Class I director.

Directors: Class III, Term Expires 2005

Barbara T. Alexander

Ms. Alexander, 55, an independent consultant, was Senior Advisor for UBS Warburg, an investment banking firm, from October 1999 to January 2004. She was a Managing Director of Dillon Read & Co, Inc., an investment banking firm, and successor companies from January 1992 until October 1999. She is also a director of Centex Corporation, a building and related services company, and of Burlington Resources, an independent oil and gas company. Ms. Alexander has been a director of the Company since February 2002 when she was appointed by the Board to fill a vacancy in Class III. She is a member of the Audit Committee of the Board and on February 25, 2004, became Chairperson of the Audit Committee.

Frank J. Biondi, Jr.

Mr. Biondi, 59, is Senior Managing Director of WaterView Advisors LLC, a private equity fund specializing in media. He has held this position since June 1999. He was Chairman and Chief Executive Officer of Universal Studios from April 1996 through November 1998 and President and Chief Executive Officer of Viacom, Inc. from July 1987 through January 1996. He is also a director of The Bank of New York Company, Inc., a financial holding company and provider of banking and financial services, Amgen, Inc., a biotechnology company, Hasbro, Inc., a developer of children's and family leisure time entertainment products, and Vail Resorts, Inc., a mountain resort operator. He has been a director of the Company since May 2002, when he was appointed by the Board to fill a vacancy in Class III. He is a member of the Human Resources and Nominating/Corporate Governance Committees and on February 25, 2004, became Chairman of those Committees.

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Robert G. Miller

Mr. Miller, 59, is Chairman of the Board of Rite-Aid, Inc., a retail pharmacy chain, a position he has held since December 1999. He was Chief Executive Officer of that company from December 1999 to July 2003. He was Vice Chairman and Chief Operating Officer of The Kroger Co., a grocery supermarket company, from May 1999 until December 1999, Vice Chairman of the Board and Chief Executive Officer of Fred Meyer, Inc. a grocery supermarket company, from July 1998 to May 1999, and Chairman of the Board and Chief Executive Officer of Fred Meyer, Inc. from 1991 to July 1998. He has been a director of the Company since May 1999 and is a member of the Human Resources and Nominating/Corporate Governance Committees of the Board, and until February 25, 2004, he was Chairman of those Committees.

Christopher J. Williams

Mr. Williams, 46, has been Chairman of the Board and Chief Executive Officer of Williams Capital Group, L.P., an investment bank, since 1994, and Chairman of the Board and Chief Executive Officer of Williams Capital Management, LLC, an investment management firm, since 2002. He is also a director of The Partnership for New York City, the National Association of Securities Professionals, and the Securities Industry Association. He has been a director of the Company since November 2003 and on February 25, 2004, he became a member of the Audit Committee of the Board.

Directors: Class I, Term Expires 2006

Joe M. Henson

Mr. Henson, 70, a private investor, was a director and Chairman of the Board of LEGENT Corporation, a computer systems software and services company, from October 1989 until February 1995 and was a director of that company and Chairman of its Executive Committee from January 1995 to May 1995. He was Chief Executive Officer of LEGENT Corporation from October 1989 to April 1992. He has been a director of the Company since April 1991. He is a member of the Audit Committee of the Board.

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R. Brad Martin

Mr. Martin, 52, has been Chairman of the Board and Chief Executive Officer of Saks Incorporated (formerly Proffitt's, Inc.), a retail department store company, since 1989. He is also a director of First Tennessee National Corporation, a banking corporation. Mr. Martin has been a director of the Company since July 1996. He is a member of the Executive Committee of the Board, and from July 1996 to February 25, 2004, he was a member of the Human Resources Committee of the Board, and from February 2003 to February 25, 2004 he was a member of the Nominating/Corporate Governance Committee of the Board.

Gary G. Michael

Mr. Michael, 63, a private investor, has been serving as interim President of the University of Idaho since June 2003. He was Chairman of the Board and Chief Executive Officer of Albertsons, Inc., a grocery supermarket company, from February 1991 to April 2001. He is also a director of Questar, Inc., an energy development company, Boise Cascade Corporation, a forest products company, IDACORP, Inc., an energy company, and The Clorox Company, a household products manufacturing company. Mr. Michael has been a director of the Company since November 2001. He is a member of the Audit Committee of the Board.

The Board of Directors and Committees of the Board

In July 2003, the Company adopted Corporate Governance Guidelines governing the conduct of its Board of Directors. The charters of our Audit Committee, Human Resources Committee and Nominating/Corporate Governance Committee are attached as exhibits to the Guidelines, all of which are posted on the Company's web site at www.harrahs.com under the "About Us" link on our home page. In addition, the Company will provide a copy of its Corporate Governance Guidelines, including charters of each of these committees, upon receipt of a written request addressed to Harrah's Entertainment, Inc., Attn: Corporate Secretary, One Harrah's Court, Las Vegas, Nevada 89119.

Our Board of Directors met six times during 2003. During the year, overall attendance by incumbent directors averaged 98% at Board meetings and 94% at Committee meetings.

The non-management members of our Board of Directors regularly meet in executive sessions in conjunction with each regularly scheduled meeting of the Board, and those members of our Board of Directors determined to be independent meet at least once each year.

Our Board of Directors determines the independence of its members through a broad consideration of all relevant facts and circumstance, including an assessment of the materiality of any relationship between the Company and a director not merely from the director's standpoint, but also that of persons or organizations with which the director has an affiliation. In making its determination, the Board of Directors adheres to the requirements of, and complies with the factors set forth by, both the New York

Stock Exchange and the Securities and Exchange Commission. Using these standards, the Board of Directors has determined that each of Ms. Alexander and Messrs. Horn, Sells, Biondi, Miller, Williams, Henson, and Michael has no material relationship with the Company and qualifies as an independent director. On September 30, 2003, a company owned by Mr. Martin and two of his family members sold real property that we lease for our Memphis corporate offices to an unrelated third party. See "Certain Relationships and Related Transactions" on page of this proxy statement. This sale was completed prior to effectiveness of the New York Stock Exchange's corporate governance rules on November 4, 2003. The Board of Directors has determined that Mr. Martin would be independent using the foregoing standards except for application of the "look-back" periods included within the NYSE's new corporate governance rules pertaining to director independence.

Our Board has four standing committees: (i) Executive, (ii) Audit, (iii) Human Resources, and (iv) Nominating/Corporate Governance.

The Executive Committee, comprised of five members, has the delegated authority to act on behalf of the Board, subject to certain limitations, during the intervals between Board meetings. The Executive Committee reports any action taken to the Board at its next meeting.

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Without specific delegated authority, the Executive Committee may not declare dividends except current quarterly dividends not in excess of those last declared by the Board of Directors and may not increase or decrease the number of directors or appoint new directors. Any action taken by the Executive Committee to approve a transaction in excess of \$75 million may be revised or rescinded by the Board at its next meeting unless the transaction is part of an overall plan previously approved by the Board. The Executive Committee did not meet during 2003.

The Audit Committee is comprised of four members, each of whom has been determined to be independent as set forth in the listing requirements of the New York Stock Exchange. The Audit Committee met twelve times during 2003. The responsibilities of the Audit Committee are outlined in a written charter which is attached as Annex A to this Proxy Statement. We limit the number of public company audit committees on which members of our Audit Committee may serve to four other public company audit committees. Additionally, our Board of Directors has determined that each of the members of our Audit Committee is an "audit committee financial expert" as defined by the Securities and Exchange Commission.

The Human Resources Committee is comprised of four members, each of whom has been determined to be independent as set forth in the listing requirements of the New York Stock Exchange. The Human Resources Committee met six times during 2003. This Committee serves as the Company's compensation committee and has overall responsibility for approving and evaluating the director and officer compensation plans, programs and policies of the Company. It reviews and approves the Chief Executive Officer's objectives and compensation, and also approves the annual compensation of corporate officers who are members of the Board as well as the Chief Operating Officer and Chief Financial Officer. The Human Resources Committee also administers the Company's bonus and other incentive compensation plans.

The Nominating/Corporate Governance Committee is comprised of four members, each of whom has been determined to be independent as set forth in the listing requirements of the New York Stock Exchange. The Nominating/Corporate Governance Committee met three times during 2003. It acts as the nominating committee of the Board, a function previously performed by the Human Resources Committee. It considers and makes recommendations concerning the Board's size and composition, the

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number of non-management directors, the qualifications of members and potential nominees for membership, including nominees recommended by stockholders, and membership of committees of the Board. The Nominating/Governance Committee also is responsible for the development and recommendation to the Board of corporate governance guidelines applicable to the Company and oversight of the annual review of the Board's performance.

Shareholders who wish to communicate with the Nominating/Corporate Governance Committee concerning potential candidates for our Board of Directors should do so by corresponding with our Corporate Secretary addressed to Harrah's Entertainment, Inc., Attn: Corporate Secretary, One Harrah's Court, Las Vegas, Nevada 89119. Any such communication should include the name and biographical data of the individual who is the subject of the communication, and should be made in accordance with our bylaws and as described in "Stockholder Proposals for 2005 Annual Meeting." Our Nominating/Corporate Governance Committee will consider candidates submitted by stockholders by reference to the criteria for Board membership set forth in our Corporate Governance Guidelines and the current composition of the Board of Directors.

Compensation of Directors

Directors who are not employees of the Company or any of our subsidiaries earn a monthly fee of \$10,000 plus \$1,500 for each special committee meeting they attend as a committee member. Committee chairpersons receive an additional monthly retainer as follows: Audit Committee receives \$1,250, Human Resources Committee receives \$833.33, and Nominating/Corporate Governance Committee receives \$416.67. Directors are reimbursed for expenses reasonably incurred in connection with their service on the Board.

Pursuant to the provisions of the Company's Non-Management Directors Stock Incentive Plan, a director automatically receives 50% of his or her director fees in all common stock in lieu of cash fees. Each director had the right to make a one-time election to receive the remaining 50% of his or her director fees in all common stock in lieu of cash fees for the duration of the plan (which initially had a five year term and has been extended for an additional five years expiring April 26, 2006). Three current directors made this election.

Grants of our common stock pursuant to the plan are made every three months for an amount of our common stock, based on the market value on the grant date, equal in value to 50% of the fees that the director earned during the previous three-month grant period (or 100% of the fees if the director elected to receive the remaining 50% of fees in our common stock). Shares that are granted cannot be disposed of until the recipient is no longer a member of the Board of Directors. A director may make an annual election to defer, until retirement, the grant of shares to be made the ensuing plan year. Deferred shares are then granted upon the director's retirement in a lump sum or in up to ten annual installments, as he or she may elect. These elections are made prior to each plan year. However, a director may request the modification of his or

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her choice as to a lump sum or installments by submitting a request to change the election at least one full fiscal year before retirement. This request is subject to approval of the Human Resources Committee. The Company has created a trust to assure the payment of benefits pursuant to the Non-Management Directors Stock Incentive Plan.

Until May 1, 1996, directors were eligible to participate in another unfunded compensation deferral program, the Executive Deferred Compensation Plan. Four current non-management directors deferred

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part of their cash fees pursuant to the Executive Deferred Compensation Plan prior to May 1, 1996 and currently have account balances in the Plan. See "Certain Employment Arrangements" for more information about the Executive Deferred Compensation Plan.

Each non-management director is also provided with travel accident insurance of \$500,000 while traveling on behalf of the Company. Incumbent non-management directors who served on the Board as of February 21, 2001, are entitled to participate in the Company's standard group health insurance plans while serving as a director (this program is not available to directors elected or appointed after February 21, 2001). The Company pays the premium cost for this insurance. During 2003, the total premium cost for these insurance benefits was approximately \$4,600 per director participating in the plans. Each director receiving these benefits incurred taxable income equal to the premium cost of the group insurance.

Non-management directors elected prior to February 21, 2001 received a grant of 1,000 shares of restricted stock vesting in ten annual installments over ten years. Directors who served a full ten years under this program received another ten-year grant of 1,000 shares. Current directors who have these grants are Messrs. Horn, Martin, Miller, and Sells. This program was terminated on February 21, 2001, with respect to further grants to new directors.

In February 2001, the Board approved a stock option program for non-management directors (the "Director Stock Option Program"), to provide an incentive for continuing tenure with the Company. Pursuant to this program, which replaced the prior restricted stock program for directors, each new non-management director who is initially elected or appointed to the Board of Directors on or after February 21, 2001, will receive a nonqualified stock option grant of 5,000 shares upon being elected or appointed to the Board. Director Stock Option Program options are granted pursuant to and governed by the 2001 Executive Stock Incentive Plan.

The terms of a stock option grant pursuant to the Director Stock Program are as follows: (a) it will vest in annual installments on each April 1 over ten years at 500 shares per year based on continued Board service through the vesting dates, with the first installment vesting on the April 1 following the director's election or appointment; and (b) the exercise price is the average of the high and low prices of the Company's common stock on the NYSE on the date of the director's election or appointment or if such date is not a business day, the preceding business day.

Until November 2003, pursuant to the Director Stock Option Program, each non-management director, including those now serving on the Board, received an annual nonqualified stock option grant of 2,000 shares, with grants to be made when annual grants to employees are normally made. The Human Resources Committee has determined that annual grants to employees will be made in June of each year, and the first annual grants were made in June 2002. The grant date, vesting and other terms and conditions of this grant were approved by the Non-Employee Directors of the Human Resources Committee (as Non-Employee Director is defined under SEC Rule 16b-3). In November 2003, the practice of granting annual stock options to non-management directors was discontinued.

In November 2003, our Board of Directors implemented stock ownership guidelines for its members. Within two years of first being elected, a director is expected to own and maintain a number of shares of the Company's common stock having a minimum value equal to two times his or her annual retainer. Shares granted to a director for his or her service on the Company's Board of Directors are included in determining the value of the director's holdings.

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Except as provided in the governing plan document and any administrative regulations thereunder governing the options, or unless otherwise approved by the Non-Employee Directors of the Human Resources Committee, all unvested options granted pursuant to the Director Stock Option Program will be forfeited and returned to the plan when a non-management director leaves the Board.

Ownership of Harrah's Entertainment Securities

The following table lists the beneficial ownership of our Stock as of January 31, 2004, for all current directors, including the nominees to the Board, our five executive officers named in the Summary Compensation Table and all directors and executive officers as a group.

Name	Shares of Common Stock Beneficially Owned on January 31, 2004(a)(b)	% of Shares Outstanding (net of treasury shares) as of January 31, 2004
Barbara T. Alexander	5,275	*
Charles L. Atwood	212,432	*
Frank J. Biondi, Jr.	3,524	*
John M. Boushy	211,353	*
Joe M. Henson	21,997	*
Ralph Horn	38,969	*
Gary W. Loveman	758,432	*
R. Brad Martin	22,837	*
Gary G. Michael	6,487	*
Robert G. Miller	11,913	*
Richard E. Mirman	215,245	*
Philip G. Satre	1,115,671	1.0%
Boake A. Sells	36,700	*
Christopher J. Williams		*
Timothy J. Wilmott	395,510	*
All directors and executive officers as a group	3,669,994	3.2%

*
Indicates less than 1%

(a)
Shares listed in the table include shares allocated to accounts under our Savings and Retirement Plan as of January 23, 2004. The amounts shown also include the following shares that may be acquired within 60 days pursuant to outstanding stock options: Mr. Atwood, 127,566 shares; Mr. Boushy, 142,294 shares; Mr. Loveman, 614,063 shares; Mr. Mirman, 144,813 shares; Mr. Wilmott, 220,066 shares; all directors and executive officers as a group, 2,365,451 shares.

(b)
The amounts shown include the following rights to shares pursuant to our Non-Management Directors Stock Incentive Plan (including shares that may be acquired within 60 days pursuant to outstanding stock options) and deferred at the election of the directors: Mr. Biondi, 1,024 shares; Mr. Henson, 16,997 shares; Mr. Horn, 16,869 shares; Mr. Martin, 13,637 shares; Mr. Michael, 1,487 shares; Mr. Sells, 15,700 shares; Mr. Williams, 0 shares.

**PROPOSAL TO APPROVE THE COMPANY'S
2004 EQUITY INCENTIVE AWARD PLAN**

General

The Board of Directors (the "Board") has adopted, subject to stockholder approval, the Harrah's Entertainment, Inc. 2004 Equity Incentive Award Plan (the "2004 Plan") for members of the Board, employees and consultants of the Company and its subsidiaries. The 2004 Plan will become effective when the 2004 Plan is approved by the affirmative vote of the holders of the majority of our Common Stock present, or represented, and entitled to vote thereon at the Annual Meeting of Stockholders.

The Board believes that the 2004 Plan will promote the success and enhance the value of the Company by continuing to link the personal interest of participants to those of Company stockholders and by providing participants with an incentive for outstanding performance.

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The 2004 Plan provides for the grant of stock options, both incentive stock options and nonqualified stock options, restricted stock, stock appreciation rights, performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, other stock-based awards, and performance-based awards to eligible individuals. A summary of the principal provisions of the 2004 Plan is set forth below. The summary is qualified by reference to the full text of the 2004 Plan, which is attached as Annex B to this Proxy Statement.

Administration

The 2004 Plan will be administered by the Human Resources Committee of the Board. The Human Resources Committee may delegate to a committee of one or more members of the Board the authority to grant or amend awards to participants other than senior executives of the Company who are subject to Section 16 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") or employees who are "covered employees" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the "Code"). The Human Resources Committee will include at least two directors, each of whom qualifies as a non-employee director pursuant to Rule 16b of the Exchange Act, and an "outside director" pursuant to Section 162(m) of the Code.

The Human Resources Committee will have the exclusive authority to administer the 2004 Plan, including the power to determine eligibility, the types and sizes of awards, the price and timing of awards and the acceleration or waiver of any vesting restriction, provided that the Human Resources Committee will not have the authority to accelerate vesting or waive the forfeiture of any performance-based awards.

Eligibility

Persons eligible to participate in the 2004 Plan include all members of the Board, comprised of eleven persons following the 2004 Annual Meeting of Stockholders and approximately 475 employees. Although consultants of the Company and its subsidiaries are eligible to participate in the 2004 Plan, as determined by the Human Resources Committee, the Company currently does not have any plans to issue awards to consultants.

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Limitation on Awards and Shares Available

An aggregate of 5,000,000 shares of Common Stock is available for grant pursuant to the 2004 Plan, plus the number of shares of Common Stock which are or become available for issuance under the Harrah's Entertainment, Inc. 2001 Executive Stock Incentive Plan, as amended (the "2001 Plan"), and the Harrah's Entertainment, Inc. Non-Management Director's Stock Incentive Plan, as amended (the "Director Plan"), and which are not thereafter issued under such plans. As of January 31, 2004, an aggregate of 7,002,311 shares of Common Stock would have been available for grant pursuant to the 2004 Plan, including shares related to the 2001 Plan and the Director Plan. The payment of dividend equivalents in conjunction with outstanding awards will not be counted against the shares available for issuance under the 2004 Plan. The shares of Common Stock covered by the 2004 Plan may be treasury shares, authorized but unissued shares, or shares purchased in the open market. To the extent that an award terminates, expires or lapses for any reason, any shares subject to the award may be used again for new grants under the 2004 Plan. In addition, shares tendered or withheld to satisfy the grant or exercise price or tax withholding obligation may be used for grants under the 2004 Plan. To the extent permitted by applicable law or any exchange rule, shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by the Company or any of its subsidiaries will not be counted against the shares available for issuance under the 2004 Plan.

The maximum number of shares of Stock that may be subject to one or more awards to a participant pursuant to the 2004 Plan during any rolling three calendar-year period is 3,000,000. As of March 1, 2004, the record date, the closing price of the Common Stock on the NYSE was \$53.40 per share.

From January 1, 2004 through March 1, 2004, 1,207,114 shares of Common Stock have been acquired by our directors and employees pursuant to exercises of outstanding stock options.

Awards

The 2004 Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights, performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, other stock-based awards, and performance-based awards. No determination has been made as to the types or amounts of awards that will be granted to specific individuals pursuant to the 2004 Plan. See the Summary Compensation Table and Option Grants in Last Fiscal Year, below, for information on prior awards to named executive officers.

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Stock options, including incentive stock options, as defined under Section 422 of the Code, and nonqualified stock options may be granted pursuant to the 2004 Plan. The option exercise price of all stock options granted pursuant to the 2004 Plan will not be less than 100% of the fair market value of the Stock on the date of grant. Stock options may be exercised as determined by the Human Resources Committee, but in no event after the tenth anniversary date of grant, provided that a vested nonqualified stock option may be exercised up to 12 months after the optionee's death. The aggregate fair market value of the shares with respect to which options intended to be incentive stock options are exercisable for the first time by an employee in any calendar year may not exceed \$100,000, or such other amount as the Code provides.

Upon the exercise of a stock option, the purchase price must be paid in full in either cash or its equivalent, by delivering a promissory note bearing interest at no less than such rate as shall then preclude the imputation of interest under the Code, or by tendering previously acquired shares of Common Stock with a fair market value at the time of exercise equal to the exercise price (provided such shares have been

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held for such period of time as may be required by the Human Resources Committee in order to avoid adverse accounting consequences and have a fair market value on the date of delivery equal to the aggregate exercise price of the option or exercised portion thereof) or other property acceptable to the Human Resources Committee (including through the delivery of a notice that the participant has placed a market sell order with a broker with respect to shares then issuable upon exercise of the option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the option exercise price, provided that payment of such proceeds is then made to the Company upon settlement of such sale). However, no participant who is a member of the Board or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act will be permitted to pay the exercise price of an option in any method which would violate Section 13(k) of the Exchange Act.

Restricted stock may be granted pursuant to the 2004 Plan. A restricted stock award is the grant of shares of Stock at a price determined by the Human Resources Committee (including zero), that is nontransferable and may be subject to substantial risk of forfeiture until specific conditions are met. Conditions may be based on continuing employment or achieving performance goals. During the period of restriction, participants holding shares of restricted stock may have full voting and dividend rights with respect to such shares. The restrictions will lapse in accordance with a schedule or other conditions determined by the Human Resources Committee.

A stock appreciation right (a "SAR") is the right to receive payment of an amount equal to the excess of the fair market value of a share of Common Stock on the date of exercise of the SAR over the fair market value of a share of Common Stock on the date of grant of the SAR.

The other types of awards that may be granted under the 2004 Plan include performance shares, performance stock units, dividend equivalents, deferred stock, restricted stock units, and other stock-based awards.

The Human Resources Committee may grant awards to employees who are or may be "covered employees," as defined in Section 162(m) of the Code, that are intended to be performance-based awards within the meaning of Section 162(m) of the Code in order to preserve the deductibility of these awards for federal income tax. Participants are only entitled to receive payment for a performance-based award for any given performance period to the extent that pre-established performance goals set by the Human Resources Committee for the period are satisfied. These pre-established performance goals must be based on one or more of the following performance criteria: net earnings (either before or after interest, taxes, depreciation and amortization), economic value-added (as determined by the Human Resources Committee), sales or revenue, net income (either before or after tax), operating earnings, cash flow (including, but not limited to, operating cash flow, and free cash flow), cash flow return on capital, return on net assets, return on shareholders' equity, return on assets, return on capital, shareholder returns, return on sales, gross or net profit margin, productivity, expense, margins, operating efficiency, customer satisfaction, working capital, earnings per share, price per share, and market share. These performance criteria may be measured in absolute terms or as compared to any incremental increase or as compared to results of a peer group. With regard to a particular performance period, the Human Resources Committee shall have the discretion to select the length of the performance period, the type of performance-based awards to be granted, and the goals that will be used to measure the performance for the period. In determining the actual size of an individual performance-based award for a performance period, the Human Resources Committee may reduce or eliminate (but not increase) the award. Generally, a

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participant will have to be employed on the date the performance-based award is paid to be eligible for a performance-based award for any period.

Change In Control

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In the event of a Change in Control (as defined in the 2004 Plan) of the Company in which awards made pursuant to the 2004 Plan are converted, assumed or replaced by a successor, and upon termination of a Participant's employment with the Company without cause within 24 months following such Change in Control, all of such Participant's outstanding awards will become fully exercisable and all forfeiture restrictions on awards will lapse.

Amendment and Termination

The Human Resources Committee, subject to approval of the Board, may terminate, amend, or modify the 2004 Plan at any time; *provided, however,* that stockholder approval will be obtained for any amendment to the extent necessary and desirable to comply with any applicable law, regulation or stock exchange rule, to increase the number of shares available under the 2004 Plans, to permit the Human Resources Committee to grant options with a price below fair market value on the date of grant, or to extend the exercise period for an option beyond ten years from the date of grant. In addition, absent stockholder approval, no option may be amended to reduce the per share exercise price of the shares subject to such option below the per share exercise price as of the date the option was granted and, except to the extent permitted by the 2004 Plan in connection with certain changes in capital structure, no option may be granted in exchange for, or in connection with, the cancellation or surrender of an option having a higher per share exercise price.

In no event may an award be granted pursuant to the 2004 Plan on or after the tenth anniversary of the date the stockholders approve the 2004 Plan.

Federal Income Tax Consequences

With respect to nonqualified stock options, the Company is generally entitled to deduct and the optionee recognizes taxable income in an amount equal to the difference between the option exercise price and the fair market value of the shares at the time of exercise. A participant receiving incentive stock options will not recognize taxable income upon grant. Additionally, if applicable holding period requirements are met, the participant will not recognize taxable income at the time of exercise. However, the excess of the fair market value of the Common Stock received over the option price is an item of tax preference income potentially subject to the alternative minimum tax. If stock acquired upon exercise of an incentive stock option is held for a minimum of two years from the date of grant and one year from the date of exercise, the gain or loss (in an amount equal to the difference between the fair market value on the date of sale and the exercise price) upon disposition of the stock will be treated as a long-term capital gain or loss, and the Company will not be entitled to any deduction. If the holding period requirements are not met, the incentive stock option will be treated as one which does not meet the requirements of the Code for incentive stock options and the tax consequences described for nonqualified stock options will apply.

The current federal income tax consequences of other awards authorized under the 2004 Plan generally follow certain basic patterns: SARs are taxed and deductible in substantially the same manner as

nonqualified stock options; nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid, if any, only at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant); stock-based performance awards, dividend equivalents and other types of awards are generally subject to tax at the time of payment. Compensation otherwise effectively deferred is taxed when paid. In each of the foregoing cases, the Company will generally have a corresponding deduction at the time the participant recognizes income, subject to Code Section 162(m) with respect to covered employees.

New Plan Benefits

No awards will be granted pursuant to the 2004 Plan until it is approved by the Company's stockholders. In addition, awards are subject to the discretion of the Human Resources Committee. Therefore, it is not possible to determine the benefits that will be received in the future by participants in the 2004 Plan or the benefits that would have been received by such participants if the 2004 Plan had been in effect in the year ended December 31, 2003.

Vote Required

Adoption of the 2004 Plan requires approval by holders of a majority of the outstanding shares of Company Common Stock who are present, or represented, and entitled to vote thereon, at the Annual Meeting of Stockholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE 2004 EQUITY INCENTIVE AWARD PLAN.

**PROPOSAL TO APPROVE THE ADOPTION OF
THE HARRAH'S ENTERTAINMENT, INC.
2005 SENIOR EXECUTIVE INCENTIVE PLAN**

General

In general, Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") imposes a limit on corporate tax deductions for compensation in excess of \$1 million per year paid by a public company to its CEO or any of the next four highest paid executive officers as listed in the proxy statement. An exception to this limitation is provided for performance-based compensation.

The Code Section 162(m) provisions generally require that affected executives' compensation satisfy certain conditions in order to qualify for the performance-based exclusion from the \$1 million deduction cap. The Human Resources Committee and the Board of Directors (the "Board") have approved, subject to stockholder approval, the Harrah's Entertainment, Inc. 2005 Senior Executive Incentive Plan (the "2005 Plan") which is intended to meet these conditions and therefore qualify compensation paid under the 2005 Plan as performance-based compensation under Section 162(m) of the Code. If the 2005 Plan is approved by the affirmative vote of the holders of the majority of our Common Stock, present or represented, and entitled to vote thereon at the Annual Meeting of Stockholders, the 2005 Plan will become effective on January 1, 2005. The summary of the principal provisions of the 2005 Plan is set forth below. The summary is qualified by reference to the full text of the 2005 Plan, which is attached as Annex C to this Proxy Statement.

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Administration

The 2005 Plan will be administered by the Human Resources Committee which is composed of at least two or more "outside directors" as defined under the Code. The Human Resources Committee will have the sole discretion and authority to administer and interpret the 2005 Plan.

Eligibility and Participation

Eligibility to participate in the 2005 Plan is limited to senior executives of Harrah's Entertainment, Inc. and its subsidiaries (the "Company") who are, or who at some future date may be, subject to Section 16 of the Securities Exchange Act of 1934, as amended. The Human Resources Committee will select the 2005 Plan participants ("Participants") for each performance period under the 2005 Plan.

Business Criteria

The 2005 Plan's performance goal will be based upon the Company's EBITDA. The 2005 Plan defines "EBITDA" to mean the Company's net income before deductions for interest expense, income tax expense, depreciation expense and amortization expense for such performance period computed in accordance with accounting principles generally accepted in the U.S. ("GAAP"), adjusted for the following income statement line items: write-downs, reserves and recoveries, project opening costs, and any gain or loss on early extinguishment of debt.

Award Determinations

By no later than the latest time permitted by Section 162(m) of the Code (generally, for performance periods of one year or more, no later than 90 days after the commencement of the performance period) and while the performance relating to the performance goal remains substantially uncertain within the meaning of Section 162(m) of the Code, the Human Resources Committee will establish the performance goal for such performance period based on the Company's EBITDA and adopt targeted awards for Participants for such performance period. Subject to the foregoing and to the maximum award limitations described below, no awards will be paid for any period unless there is positive EBITDA.

There are currently seven employees who would be eligible to receive awards under the 2005 Plan for 2004 if the 2005 Plan were in effect for 2004. Participants will be selected each period by the Human Resources Committee from those eligible to participate in the 2005 Plan. The actual amount of future award payments under the 2005 Plan is not presently determinable because such amounts are dependent on the future attainment of the performance goal with respect to such payments. The 2005 Plan provides that the maximum award payable to any individual Participant in any one fiscal year is 0.5% (one half percent) of EBITDA for such period.

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The Human Resources Committee may, pursuant to its discretion, reduce or eliminate any or all of the targeted awards and set additional conditions and terms of payment of awards, including the achievement of other financial, strategic or individual goals, which may be objective or subjective, as it deems appropriate. The Human Resources Committee has no discretion to increase the amount of a Participant's targeted award.

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All awards will be determined by the Human Resources Committee and will be paid in cash; *provided, however*, that no awards will be paid unless and until the Human Resources Committee makes a certification in writing with respect to the attainment of the performance goal as required by Section 162(m) of the Code.

If the 2005 Plan were in effect for the period that began on January 1, 2003 and ended on December 31, 2003, based on such period's EBITDA, the approximate amounts of awards the Participants in the 2005 Plan would have received, subject to discretionary adjustments by the Human Resources Committee, is as follows:

Name and Position	Dollar Value(\$)
Gary W. Loveman	531,300
Timothy J. Wilmott	386,400
Charles L. Atwood	207,000
John M. Boushy	92,000
Richard E. Mirman	82,800
Executive Group	1,699,040
Non-Executive Director Group	0
Non-Executive Officer Employee Group	0

Other Compensation

The 2005 Plan is not exclusive. The Company may and does pay cash, other awards and other compensation to certain officers under other authority of the Board or applicable law.

In the event that the Company's shareholders do not approve the 2005 Plan, the Participants will not be paid any awards under the 2005 Plan. If the 2005 Plan is approved, the Participants named annually will be eligible to receive awards under the 2005 Plan.

Vote Required

Adoption of the 2005 Plan requires approval by holders of a majority of the outstanding shares of Company Common Stock who are present, or represented, and entitled to vote thereon, at the Annual Meeting of Stockholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE 2005 SENIOR EXECUTIVE INCENTIVE PLAN AND ITS PERFORMANCE GOAL.

STOCKHOLDER PROPOSAL REGARDING POLITICAL CONTRIBUTIONS

The Central Laborers' Pension Fund, the beneficial owner of more than \$2,000 worth of Harrah's Entertainment common stock, has notified us of its intention to present the following resolution for action at the Annual Meeting. The text of the resolution and the supporting statement exactly as submitted by the proponent are set forth below. If the proponent, or a representative who is qualified under state law, is present and submits the proposal for a vote, then the proposal will be voted upon at the Annual Meeting.

In order to be approved, the votes cast in favor of the proposal by the shareholders present, in person or by proxy, and entitled to vote at the Annual Meeting must exceed the votes cast in opposition. Proxies

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solicited on behalf of the Board of Directors will be voted **AGAINST** this proposal unless shareholders specify a contrary choice.

Political Disclosure Resolution

Resolved, that the shareholders of Harrah's Entertainment, Inc. ("Company") hereby request that the Company prepare and submit to the shareholders of the Company:

1. A report, updated annually, disclosing its policies for political contributions (both direct and indirect) made with corporate funds. The reports shall include, but not be limited to, contributions and donations to political candidates, political parties, political committees and other political entities organized and operating under 26 USC Sec. 527. This Report shall be disclosed to shareholders through the Company's web site or to shareholders in published form.
2. A semi-annual report of political contributions, disclosing monetary and non-monetary contributions to candidates, parties, political committees and other organizations and individuals described in paragraph 1. This report shall contain the following information:
 - a. An accounting of the Company's funds contributed or donated to any of the persons described above;
 - b. A business rationale for each of the Company's political contributions or donations; and
 - c. Identification of the person or persons in the Company who participated in making the decisions to contribute or donate.

Statement of Support: As long-term shareholders of Harrah's Entertainment, we support policies that apply transparency and accountability to corporate political giving. In our view, such disclosure is consistent with public policy in regard to public company disclosure.

Currently, Harrah's Entertainment is not required to disclose political contributions made with corporate funds in any Securities and Exchange Commission (SEC) reports to shareholders. Company executives and lobbyists exercise unbridled discretion over the use of corporate resources for political purposes. In addition, there is no SEC requirement for disclosing the business rationale for such donations.

The result is that shareholders are unaware of how and why the Company chooses to make corporate contributions and the political ends that are being furthered by the gift of corporate funds. Company officials may, in fact, be funding groups and candidates whose agendas are antithetical to the interest of it, its shareholders and its stakeholders.

This is the case with Harrah's Entertainment. The Center for Responsive Politics, a campaign finance watchdog organization, reported that the Company donated \$579,000 in the 2002 election cycle to major party committees and congressional campaign dinners. However, further investigation shows that \$4,300 of the Company's money also went to political committees associated with certain political figures. Those committees, in turn, used the Company's money in ways not generally known to the public that could pose reputational problems and legal risks for the Company.

Absent a system of accountability, corporate executives will be free to use the Company's assets for political objectives not shared by and may be inimical to the interests of shareholders. There is currently no

single source of information providing disclosure to the Company's shareholders on this issue. That is why we urge your support for this critical governance reform.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE AGAINST THIS PROPOSAL.

Adoption of this proposal would be costly, unnecessary and not in the best interests of the Company or its shareholders. Harrah's follows all applicable laws regarding political contributions, which includes numerous federal and state laws and regulations governing the permissibility

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and reporting of political contributions. Contributions made using corporate funds are generally reported by the recipient to the applicable election authority and are a matter of public record. This proposal would impose additional costs and administrative burdens on the Company with little or no benefit to its shareholders.

Harrah's has adopted a policy on community and political activity and contributions within its compliance system. To ensure compliance with laws, all contributions of corporate funds or uses of corporate assets for a political purpose, requires prior approval from our Law Department. Furthermore, Harrah's is expressly prohibited under federal law from making contributions for a political candidate or party, and similarly, under state law in several of the jurisdictions in which we operate.

Part of Harrah's stated policy is to encourage employees to share Harrah's commitment to making a positive contribution to the communities in which we operate, including where permitted as part of the political process through voluntary contributions to candidates and parties. However, under no circumstances is any influence exerted on any employee to engage in any political activity inconsistent with the employee's personal inclinations, and under no circumstances is an employee reimbursed by Harrah's for engaging in personal political activity.

Harrah's has organized a political action committee ("PAC") and invites contributions from members of its management team. Harrah's supports this PAC activity but does not favor or disadvantage any employee by reason of that employee's decision whether to or not to contribute to the PAC.

Harrah's believes that participating in the political process, whether through voting, contributing to the campaigns of one's choice, or serving on civic bodies or in elected offices, are fundamental rights and responsibilities of citizens in our communities.

RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors, acting on the recommendation of its Audit Committee, has appointed Deloitte & Touche LLP, a firm of independent public accountants, as our independent public accountants to examine and report to stockholders on the consolidated financial statements of our Company and its subsidiaries for the year 2004. Representatives of Deloitte & Touche LLP will be present at the Annual Meeting and will be given an opportunity to make a statement. They also will be available to respond to appropriate questions.

The action of the Board of Directors in appointing Deloitte & Touche LLP as the Company's independent public accountants for the year 2004 will be ratified upon an affirmative vote of the holders of a majority of shares of our common stock present in person or represented by proxy at the Annual Meeting, excluding abstentions.

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On May 2, 2002, Harrah's dismissed its independent auditors, Arthur Andersen LLP ("Andersen"), and engaged the services of Deloitte & Touche LLP as its new independent auditors. This action followed the entry of an order effective May 15, 2002 by the New Jersey Casino Control Commission prohibiting New Jersey casino licensees, and their holding and intermediate companies, from conducting business directly or indirectly with Andersen. Our Board of Directors and Audit Committee participated in and approved the decisions to dismiss Andersen and engage Deloitte & Touche LLP.

During our two fiscal years ended December 31, 2001 and through May 2, 2002, there were no disagreements between Harrah's and Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to Andersen's satisfaction, would have caused Andersen to make reference to the subject matter of the disagreement in connection with its reports on our financial statements.

None of the reportable events described under Item 304(a)(1)(v) of Regulation S-K occurred within our two fiscal years ended December 31, 2001 or through May 2, 2002.

The reports of Andersen on our consolidated financial statements as of and for the fiscal years ended December 31, 2000 and 2001 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

In its letter dated May 2, 2002 to the Office of the Chief Accountant of the Securities and Exchange Commission, Andersen stated that it agreed with the statements in the four preceding paragraphs. This letter was filed as Exhibit 16 to our Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 3, 2002.

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During our two fiscal years ended December 31, 2001 and through May 2, 2002, we did not consult with Deloitte & Touche LLP regarding any of the matters or events set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K.

Although Andersen's audit of our 2001 financial statements resulted in an unqualified opinion, in order to provide investors with additional confidence, we subsequently requested that Deloitte & Touche LLP re-audit our consolidated balance sheets as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss) and cash flows for each of the three years in the period ended December 31, 2001. Deloitte & Touche LLP completed these audits and issued an unqualified opinion. There were no adjustments or restatements to the December 31, 2001 financial results filed as part of our Annual Report on Form 10-K, as amended, filed with the Securities and Exchange Commission on March 8, 2002.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS THE COMPANY'S INDEPENDENT PUBLIC ACCOUNTANTS FOR THE YEAR 2004.

Stockholder ratification of the selection of Deloitte & Touche LLP as the Company's independent public accountants is not required by the Company's bylaws or otherwise. However, the Board of Directors is submitting the selection of Deloitte & Touche LLP to the stockholders for ratification as a matter of corporate practice. If the stockholders fail to ratify the selection, the Board of Directors will reconsider the retention of that firm. Even if the selection is ratified, the Board of Directors, in its discretion, may direct the appointment of a different independent public accounting firm at any time during the year if the Board

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of Directors determines that such a change would be in the best interests of the Company and its stockholders.

Other Matters at the Meeting

The Board of Directors does not know of any matters to be presented at the meeting other than those mentioned in this Proxy Statement. If any other matters are properly brought before the meeting, it is intended that the proxies will be voted in accordance with the best judgment of the person or persons voting the proxies.