

TERMS OF AGREEMENT  
NARRAGANSETT INDIAN TRIBE/HARRAH'S ENTERTAINMENT  
OPERATING AGREEMENT FOR  
NARRAGANSETT INDIAN CASINO

1. The Company. On August 26, 2005, Harrah's West Warwick Investment Company, LLC ("HWWIC") and The Narragansett Indian Tribe (the "Tribe") entered into a Limited Liability Company Operating Agreement (the "Operating Agreement") forming Narragansett Tribe/Harrahs Casino Project Company, LLC (the "Company").

2. Rights of the Company. The Company will have all the rights, title and interests and enter into all arrangements for the West Warwick Casino.

3. Members of the Company. HWWIC and the Tribe are the sole members of the Company. HWWIC is the managing member.

4. Tribe Rights in Casino Development, Operation and Management

(a) Advisory Board and Design Subcommittee. The Company has an Advisory Board and Design Subcommittee that advise the managing member regarding the development, operation, management, expansion and other matters relating to the Casino Project.

(b) Hiring and Management Training Subcommittee. The Company has an obligation to establish a Owner Hiring and Management Training Subcommittee to formulate polices and programs for employment and vendor opportunities for members of the Owner. This Subcommittee is required to develop policies and programs for (i) Tribal subcontractors, Tribal equipment vendors and other Tribal vendors and providing preferences for such vendors who are equally or more qualified than other vendors, and (ii) preferences in hiring and promotion of owner members of the Company who are equally or more qualified than other applicants.

5. Preferred Distributions to the Tribe. The Tribe's membership interest is entitled to a preferred distribution (before operating expenses) of 5% of Adjusted Gross Revenues (Gross Revenue less gaming taxes). This percentage is adjusted to 5.5% of Adjusted Gross Revenue if Adjusted Gross Revenue exceeds \$800 million and EBITDA exceeds 24% of Adjusted Gross Revenues. This percentage is further adjusted to 6% of Adjusted Gross Revenue if Adjusted Gross Revenue exceeds \$1 billion and EBITDA exceeds 26% of Adjusted Gross Revenues.

6. Additional Payments to the Tribe.

(a) Health Fund. HWWIC is required to distribute \$300,000 to the Tribe for a Health Fund on the date of commencement of construction and thereafter to make an annual distribution of \$75,000 to the Health Fund. If EBITDA exceeds \$125 million, the annual contribution is increased to \$100,000. The Health Fund is to be used for general health care and disease prevention, health education, health facilities and any other needs related to the health of members of NIT, as determined by NIT.

(b) Education Fund. HWWIC is required to distribute \$300,000 to the Tribe for an Education Fund on the date of commencement of construction and thereafter to make an annual distribution of \$75,000 to the Education Fund. If EBITDA exceeds \$125 million, the annual contribution is increased to \$100,000. The Education Fund is to be used for early education, parent training, school facilities and operations, assistance with elementary school, middle school, high school, college preparatory, college, and graduate educations, and any other needs related to the education of the members of NIT, as determined by NIT.

7. Reimbursements. The Tribe has no obligation to reimburse the Managing Member for any funds advanced by the Managing Member for Casino Project Costs.

8. Purchase Option. The Tribe may exercise an option to purchase the Company commencing 15 years after opening of the Casino project.

