

**CHARTER OF THE AUDIT COMMITTEE OF THE
BOARD OF DIRECTORS OF
CAESARS ENTERTAINMENT, INC.
AS ADOPTED BY THE BOARD ON JANUARY 23, 2004**

Purpose

The Audit Committee (the "Committee") of the Board of Directors (the "Board") of Caesars Entertainment, Inc. (the "Company") shall:

- assist the Board's oversight of (i) the integrity of the Company's financial statements, (ii) the Company's independent auditors' qualifications and independence, (iii) the performance of the Company's independent auditors and the Company's internal audit function, and (iv) the Company's compliance with legal and regulatory requirements; and
- prepare an audit committee report for inclusion in the Company's annual proxy statement, in accordance with applicable law, regulation and listing standards.

Membership

The Committee shall be comprised of three or more directors. Each member of the Committee shall meet the independence and experience requirements of applicable law, including the Sarbanes-Oxley Act of 2002 (the "Act"), the listing standards of the New York Stock Exchange (the "NYSE"), and the rules and regulations promulgated by the Securities and Exchange Commission (the "SEC").

The members of the Committee shall be appointed by the Board at the first meeting of the Board to be held following the annual meeting of the stockholders and shall serve one-year terms. No member of the Committee shall simultaneously be a member of more than two other audit committees of public companies, unless the Board determines that such simultaneous service would not impair the ability of such member to effectively serve the Committee. Vacancies shall be filled by majority vote of the Board following the occurrence of the vacancy. No member of the Committee shall be removed except by majority vote of directors then in office who qualify as independent directors under the listing standards of the NYSE.

Each member of the Committee must be "financially literate," as such qualification is interpreted by the Board in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Committee. In addition, at least one member of the Committee must have "accounting or related financial management expertise," as the Board interprets such qualification in its

business judgment. Further, either (i) at least one member of the Committee must be a "financial expert," as such term is defined in the rules and regulations promulgated by the SEC pursuant to the Act, or (ii) if no member of the Committee is a "financial expert," the Committee shall so inform the Company.

Procedural Matters

A member of the Committee may not, other than in such member's capacity as a member of the Committee, the Board, or any other board committee accept any consulting, advisory, or other compensatory fee from the Company; provided, however, that a member of the Committee may receive pension or other forms of deferred compensation from the Company for prior service so long as such compensation is not contingent in any way on continued service.

The Committee shall fix its own rules of procedure, which shall be consistent with the amended and restated by-laws of the Company (the "By-Laws"), the restated certificate of incorporation of the Company (the "Certificate of Incorporation"), and this charter (the "Charter"). The Committee shall meet as provided by its rules, which shall be at least four times annually or more frequently as circumstances require. The Committee shall, to the extent it deems necessary or appropriate, report regularly to the Board. The Committee shall designate one member of the Committee as its Chairperson. The Chairperson of the Committee or a majority of the members of the Committee may call a special meeting of the Committee. The Committee may form and delegate authority to subcommittees when appropriate. A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. Periodically, the Committee shall meet with management, the internal auditors (or other persons responsible for the internal audit function) and with the independent auditor in separate executive sessions.

Authority and Responsibilities

The Committee shall have the sole and direct responsibility and authority for the appointment, retention, termination, compensation, evaluation and oversight of the firm of independent public accountants serving as independent auditor to the Company and each independent auditor shall report directly to the Committee. The Committee shall be responsible for resolving disagreements between management and the independent auditor regarding financial reporting.

The Committee shall have the ability to retain, with or without Board approval, independent counsel, accountants, consultants or other advisers to assist the Committee in fulfilling its duties and responsibilities. The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation (i) to the independent auditor for the purpose of rendering or issuing an audit report and (ii) to any advisers the Committee retains to assist it in fulfilling its duties and responsibilities.

The Company shall also provide appropriate funding, as determined by the Committee, for ordinary expenses of the Committee that are necessary or appropriate for the Committee to carry out its duties.

In connection with overseeing the independence of the independent auditors, the Committee shall ensure that the lead audit partner and reviewing audit partner responsible for the audit of the Company's financial statements have not performed audit services for the Company for more than the previous four consecutive fiscal years of the Company. The Committee shall also consider whether to regularly rotate the firm of independent public accountants serving as independent auditor.

In connection with the Committee's oversight of the independent auditor, the Committee shall receive from the independent auditor and review: (i) all critical accounting policies and practices to be used; (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the Company, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and (iii) other material written communications between the independent auditor and the management of the Company, such as any management letter or schedule of unadjusted differences.

At least annually, the Committee shall obtain and review a report by the independent auditor describing (i) the firm's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with such issues; and (iii) all relationships between the auditor and the Company in order to ensure the auditor's independence.

The Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received from employees of the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The Committee, to the extent it deems necessary or appropriate, shall:

- discuss policies with respect to risk assessment and risk management;
- review with the independent auditor any audit problems or difficulties and management's response;
- meet with the Compliance Committee to discuss the Company's compliance with legal and regulatory requirements;
- discuss the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations;"
- review and discuss with the independent auditor, out of the presence of management if deemed appropriate by the Committee, the matters required to be discussed pursuant to Statement on Auditing Standards No. 61;
- discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
- establish clear hiring policies for employees or former employees of the independent auditors; and
- review and discuss with management and the independent auditor, as applicable: (i) significant issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (ii) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects on the financial statements of alternative methods under Generally Accepted Accounting Principles in the United States; and (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

The Committee, to the extent it deems necessary or appropriate, shall review with the Chief Executive Officer and Chief Financial Officer and independent auditors, periodically, the following:

- all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data, including any material weaknesses in internal controls identified by the Company's independent auditors;

- any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and
- any significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Committee shall review and discuss with the Chief Executive Officer and Chief Financial Officer certifications for the periodic reports filed by the Company with the SEC on Form 10-K and Form 10-Q, including such officers' evaluation of the Company's disclosure controls and procedures and internal controls.

The Committee shall, on an annual basis, evaluate its performance under this Charter by reviewing at least the information and recommendations presented by the Committee to the Board and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner. The Committee shall annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for approval.