

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1997-02-28** | Period of Report: **1996-11-30**
SEC Accession No. **0000912057-97-007438**

([HTML Version](#) on secdatabase.com)

FILER

HARVEYS CASINO RESORTS

CIK: **914022** | IRS No.: **880066882** | State of Incorporation: **NV** | Fiscal Year End: **1130**
Type: **10-K** | Act: **34** | File No.: **001-12802** | Film No.: **97547882**
SIC: **7990** Miscellaneous amusement & recreation

Business Address
*HWY 50 & STATELINE AVE
P O BOX 128
LAKE TAHOE NV 89449
7025882411*

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1996

OR

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

Commission file number 1-12802

HARVEYS CASINO RESORTS
(Exact name of registrant as specified in its charter)

<TABLE>		
<S>		<C>
NEVADA		88-0066882
(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification No.)
HIGHWAY 50 & STATELINE AVENUE		
P.O. BOX 128, LAKE TAHOE, NEVADA		89449
(Address of principal executive offices)		(Zip Code)

</TABLE>

Registrant's telephone number, including area code (702) 588-2411

Securities registered pursuant to Section 12(b) of the Act:

<TABLE>		
<S>		<C>
TITLE OF EACH CLASS		NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock; par value \$0.01 per share		New York Stock Exchange

</TABLE>

Securities registered pursuant to Section 12(g) of the Act: None

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 / /

Indicate by check mark if the disclosure of delinquent filers pursuant to
Item 405 of Regulation S-K is not contained herein, and will not be contained,
to the best of the registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of this Form 10-K or any
amendment to this Form 10-K. / /

Based on the closing sales price of February 21, 1997 the aggregate market
value of the voting stock held by non-affiliates of the registrant was
\$74,444,401.

The number of shares outstanding of the registrant's common stock, \$.01 par
value was 9,822,213 as of February 21, 1997.

Part III incorporates information by reference from the registrant's
definitive Proxy Statement to be filed with the Commission within 120 days after
the close of the registrant's fiscal year.

PART I

ITEM 1. BUSINESS

Harveys Casino Resorts (the "Company" or the "Registrant") is an
established owner, operator and developer of high-quality hotel/casinos in
Nevada and new gaming jurisdictions. The Company owns and operates Harveys

Resort Hotel/Casino ("Harveys Resort"), the Lake Tahoe area's largest hotel/casino. Harveys Resort, in operation since 1944, is situated on the south shore of scenic Lake Tahoe on the Nevada/California state line. The Company owns and operates Harveys Wagon Wheel Hotel/Casino ("Harveys Wagon Wheel") in Central City, Colorado, which opened in December 1994 as the first major hotel/casino serving the greater Denver area. The Company owns and operates a riverboat casino and hotel/convention center in Council Bluffs, Iowa across the Missouri River from Omaha, Nebraska. The Harveys Casino Hotel riverboat casino opened on January 1, 1996 and is one of only three operators in the Omaha/Council Bluffs gaming market, which also includes one other riverboat casino and a slot machine operator at the local dogtrack. The adjacent land-based hotel and convention center facilities opened in May 1996. In addition, through a joint venture between the Company and the Hard Rock Cafe co-founder Peter A. Morton, the Company owns 40% of and manages the Hard Rock Hotel and Casino in Las Vegas, Nevada, which opened in March 1995. See "- Harveys Wagon Wheel", "- Hard Rock Hotel and Casino" and "- Harveys Casino Hotel" below.

Harveys Resort was originally founded on the south shore of Lake Tahoe by Harvey and Llewellyn Gross in 1944 as a one room saloon, cafe and casino. Major additions to the property were made in 1955 and 1963, and since 1979 the Company has pursued a master plan through which it has developed the property into a major hotel/casino consisting of 740 hotel rooms, an 88,000-square foot casino, 23,000 square feet of convention space, 2,967 parking spaces, the 280-seat Emerald Theater and Cabaret, a wedding chapel, restaurants and retail shops, a pool, a health club and a video arcade. Mr. Gross ran Harveys Resort until the early 1980's at which time he transferred responsibilities to an experienced casino management team. Today, Harveys Resort offers its customers high quality hotel rooms, excellent dining facilities, an exciting location, entertaining events and a lively gaming atmosphere.

Through Harveys Wagon Wheel, which opened in December 1994, the Company established the first major hotel/casino serving the greater Denver area, Colorado's major population center of more than 2 million people. Unlike other gaming facilities in the Central City area, which offer no overnight accommodations, limited on-site parking and few non-gaming amenities, Harveys Wagon Wheel includes 882 slot machines, 18 table games and a nine-table poker area, a 118-room hotel and 195 on-site parking spaces. Other amenities include a Tony Roma's Famous for Ribs restaurant and a Tony Roma's Express, an entertainment lounge and a children's arcade.

2

The Hard Rock Hotel and Casino is located three blocks east of the Las Vegas Strip at the intersection of Paradise Road and Harmon Avenue on approximately 16 acres and consists of an 11-story, 339-room hotel that houses a 28,000-square foot casino containing 807 slot machines, 41 table games and a sports and race book. The interior and exterior decor of the facility resembles that of Hard Rock Cafes and incorporates authentic rock'n'roll and entertainment collectibles such as electric guitars and gold records. Mr. Morton is Chairman of Hard Rock Hotel, Inc. ("HRHC") and receives a supervisory fee for supervising certain aspects of the development and operations of the Hard Rock Hotel and Casino.

The Harveys Casino Hotel riverboat casino accommodates 2,352 passengers and is berthed on the Missouri River directly across from Omaha, Nebraska in Council Bluffs, Iowa. The riverboat casino has 24,500 square feet of casino space on two decks and contains 906 slot machines, 48 table games and a seven-table poker area. Harveys Casino Hotel's land-based amenities include surface parking for approximately 1,700 cars and a 14-story, 251-room hotel with a 21,000 square foot convention center which opened in May 1996.

BUSINESS STRATEGY

The Company's business strategy is to develop premium hotel/casino facilities in markets in which the Company believes it can establish and maintain a prominent position or niche. Each of the Company's properties offers casino gaming and a full range of amenities in a friendly atmosphere that caters to middle-and upper middle-income customers. This strategy emphasizes the following elements:

HIGH-QUALITY FACILITIES AND SUPERIOR CUSTOMER SERVICE

As part of its commitment to providing a quality entertainment experience for its patrons, the Company is dedicated to ensuring a high level of customer satisfaction and loyalty by providing distinctive and modern accommodations and attentive customer service in a friendly atmosphere. Management recognizes that consistent quality and a comfortable atmosphere can differentiate its facilities from the competition in all of its markets. The Company strives to meet customer demand by furnishing each of its properties with a variety of restaurants and non-gaming amenities. To foster a high level of customer satisfaction through attentive customer service, management plays an active role in the training of all of its employees at all levels. In particular, management conducts annual training sessions with all employees at which it

stresses the importance of customer contact and encourages employees to look at, smile at, talk to and thank each customer with whom they interact. The Company has implemented attractive employee benefit programs at all of its facilities to recruit and retain friendly, professional employees.

STRATEGIC LOCATIONS

Management believes that location is the key to attracting customers. South Lake Tahoe, which draws approximately 2 million visitors per year, is a unique gaming location because of its

3

natural surroundings and variety of outdoor attractions and activities. Harveys Resort is strategically placed on a site adjacent to the California border in close proximity to more than 6,500 hotel and motel rooms in non-gaming facilities. Harveys Wagon Wheel is located on a highly visible site in Central City, Colorado, a picturesque mountain town, approximately 35 miles west of Denver, serving the greater Denver area with its population of over 2 million people. The Hard Rock Hotel and Casino is conveniently located at one of the busiest intersections in Las Vegas and is a short distance from the Las Vegas Convention Center, three non-gaming full service hotels with approximately 850 rooms and the New Four Corners, which includes major casinos such as the MGM Grand Casino Hotel and Theme Park and the recently opened New York-New York hotel and casino. Harveys Casino Hotel is within a ten minute drive of the Omaha/Council Bluffs metropolitan regional airport and is located directly off Interstate 29, Interstate 80 and Interstate 480.

TARGETED CUSTOMER BASE

The Company targets middle-to upper middle-income customers who tend to have more disposable income for gaming and entertainment. Harveys Resort seeks to attract these customers by offering well-appointed rooms and a "party" atmosphere for those seeking nightlife and entertainment. The Company also has established extensive customer databases and uses sophisticated player tracking systems to award promotional allowances, such as complimentary rooms, food, beverage and entertainment, when gaming play warrants. Management believes that by continuing to focus its efforts on the maintenance of customer relationships and the Harveys image, it will increase its share of higher-income customers attracted to the South Lake Tahoe market. Harveys Wagon Wheel targets middle-to upper middle-income customers from the greater Denver area who seek a quality gaming experience, convenient parking and overnight accommodations. By offering a facility with overnight accommodations and more amenities than are offered by other casinos in the Central City/Black Hawk market, Harveys Wagon Wheel has been successfully building a loyal customer base. Harveys Casino Hotel targets frequent, mid-level players from Omaha, Council Bluffs and the surrounding area. The Company believes that the hotel and convention facilities, opened in mid-1996, will attract new players by capturing overnight guests and meetings and small conventions business. In addition, by promoting itself as "Harveys, You Can Have It All!", management believes that Harveys Casino Hotel will attract a large percentage of the gaming revenues generated by the Omaha/Council Bluffs regional population and visitors to the Omaha/Council Bluffs area. The Hard Rock Hotel and Casino appeals to younger and higher-income gaming patrons because of the Hard Rock theme, upscale hotel facilities and the wide variety of special events designed to maintain the image of the facility in the mind of the Hard Rock Hotel and Casino customer base.

EFFECTIVE MARKETING

In February 1997, the Company announced that Bill Cosby has agreed to become a spokesperson for the Company. Under a contractual relationship with the Company, Mr. Cosby will be actively involved in promoting Harveys Casino Resorts through entertainment appearances at the

4

Company's properties and through commercial messages including television and radio. The Company believes that this association will be helpful in enhancing the national visibility of Harveys Casino Resorts.

Since 1989, the Company has aggressively promoted Harveys Resort and a lively image through television, radio, billboard and print advertising. The slogan of Harveys Resort, "The Party's at Harveys," has become a well-known advertising trailer in Lake Tahoe's key Northern California feeder markets. Since 1989, the Company has increased its share of gaming revenues in South Lake Tahoe from approximately 24% to approximately 27.5% in 1996, due largely to its targeted marketing strategy. The Company attracts customers to Harveys Wagon Wheel by aggressively promoting the facility's hotel rooms, on-site parking, quality dining facilities and varied entertainment activities in a market in which such amenities are a distinct competitive advantage. The Hard Rock Hotel

and Casino maintains and capitalizes on its well-known and popular "Hard Rock" name recognition by hosting special events, such as award presentations to rock music stars, film premiere parties, fundraising and other charitable activities, as well as frequently-scheduled live entertainment. Harveys Casino Hotel is marketed as "Harveys, You Can Have It All!" in the Omaha/Council Bluffs market through the extensive use of television and newspaper advertisement, billboards, regular promotions and sweepstakes as well as point-of-sale materials located in local hotels, restaurants and other visitor attractions.

EMPHASIS ON SLOT PLAY

Responding to the increased popularity of slot machines over the past several years, the Company has shifted its gaming mix toward slot machines. The mix of slot machines is closely matched to the demand of the customer base at each property. Harveys Resort, for instance, now includes a greater percentage of \$1 and higher denominated machines to appeal to the higher-income gaming clientele of Harveys Resort, including \$5, \$25 and \$100 slot machines offered within a premium player section. This increase in higher denominated machines increased win per unit at Harveys Resort by approximately 28% between 1988 and 1996. Harveys Wagon Wheel offers 882 slot machines, approximately 250 more machines than are currently offered by any other gaming facility in the area. Similarly, the Hard Rock Hotel and Casino offers 807 slot machines and Harveys Casino Hotel offers 906 slot machines. Slot machines, which are less labor intensive and require less square footage than table games, also generate higher profit margins compared to table games. The Company monitors payout percentages closely and ensures that its slot machine payouts are competitive.

THE PROPERTIES

HARVEYS RESORT

Harveys Resort, the largest hotel/casino in the Lake Tahoe area, is located on approximately 19.8 acres on U.S. Highway 50, the main route through South Lake Tahoe. The hotel/casino, situated on the south shore of Lake Tahoe with a panoramic view of the lake and surrounding mountains, is

5

among Lake Tahoe's most modern facilities. The main structure is an all-glass 17-story tower which was completed in 1991, connected to a 12-story tower which was completely re-built in 1982. Harveys Resort features 740 rooms, 36 of which are luxury suites, and an 88,000 square foot casino containing approximately 2,185 slot machines, 104 table games, a 12-table poker area, a race and sports book and a keno lounge. Other amenities include 23,000 square feet of convention space, 2,967 parking spaces, the 280-seat Emerald Theater and Cabaret, a wedding chapel, restaurants, retail shops, a pool, a health club and a video arcade. Harveys Resort's eight restaurants offer a wide variety of high quality food and consist of a coffee shop, a Mexican restaurant, a seafood and pasta restaurant, a pizzeria, a premier steakhouse, a buffet, a burger emporium and Llewellyn's, Harveys Resort's award-winning restaurant featuring top quality food and a spectacular view of Lake Tahoe. In recognition of the outstanding quality of the facility and its excellent service, Harveys Resort has received both the Mobil Four Star and AAA Four Diamond Awards every year for the last 15 years. Management has allocated a total of \$20 million for capital expenditures, including improvements to be made to Harveys Resort through 1996 and 1997 to increase the Company's market share and to position the Company to benefit from the ongoing South Lake Tahoe Redevelopment Project. In 1984, the City of South Lake Tahoe, California, adopted a redevelopment plan and created the South Tahoe Redevelopment Agency. The redevelopment plan has resulted in the removal of numerous older motel and retail properties along Highway 50 through the City of South Lake Tahoe. The properties were demolished, creating a scenic open space corridor containing public facilities and wetlands. The redevelopment plan resulted in a 400-room Embassy Suites hotel on the California-Nevada state line, completed in 1991. It is anticipated that the next phase of redevelopment, will involve the condemnation of certain older motels and retail establishments located within one mile of Harveys Resort and the replacement thereof with a regional transit center including an aerial tram to the Heavenly Valley ski area, parking facilities, a theater complex, retail space, hotels and vacation interval units. It is anticipated that the third phase, also to be located immediately adjacent to the California-Nevada state line, will result in a regional convention facility, hotel, retail space, regional parking facilities and various public amenities.

The Lake Tahoe area is a unique gaming location because of its natural surroundings and variety of year-round outdoor recreational activities, including skiing, boating, fishing and golfing. The South Lake Tahoe area draws tourists primarily from nearby Reno and Northern California. There are four major casinos in this market to serve the approximately 2 million annual visitors.

HARVEYS WAGON WHEEL

Through Harveys Wagon Wheel, which opened in December 1994, the Company

established the first major hotel/casino serving the greater Denver area. Harveys Wagon Wheel is located on a highly visible site in Central City, Colorado, a picturesque mountain town approximately 35 miles west of Denver. Unlike most existing gaming facilities in the Central City area, which offer no overnight accommodations, scarce on-site parking and few non-gaming amenities, Harveys Wagon Wheel includes approximately 40,000 square feet of casino space, 882 slot machines, 18 table games, a nine-table poker area, a 118-room hotel and 195 on-site parking spaces. Other amenities include a Tony Roma's Famous for Ribs restaurant and a Tony Roma's Express, an entertainment

6

lounge and a children's arcade. No other casino in Central City/Black Hawk currently offers all of these amenities.

On April 30, 1996, the Company exchanged 382,500 shares of its common stock for the 30% minority interest in Harveys Wagon Wheel. Upon consummation of such exchange, Harveys Wagon Wheel became wholly owned by the Company.

Harveys C. C. Management Company, Inc. ("HCCMC"), a wholly-owned subsidiary of the Company, owns 48 acres of undeveloped land adjacent to the Harveys Wagon Wheel facility. The Company has commenced construction of a parking garage for the Harveys Wagon Wheel facility on an eight-acre portion of the land. As currently designed, the garage will accommodate approximately 550 automobiles and is scheduled for completion in the summer of 1997.

HARD ROCK HOTEL AND CASINO

The Company, through a joint venture with Peter A. Morton, co-founder of the Hard Rock Cafes, developed the Hard Rock Hotel and Casino, which opened in March 1995 in Las Vegas, Nevada. The Company owns a 40% equity interest in and manages this unique first-class facility which is modeled after the highly successful Hard Rock Cafe concept and targets younger and higher-income gaming patrons. Located three blocks from the Las Vegas Strip and five minutes from McCarran International Airport, the 339-room hotel and casino houses 28,000 square feet of casino space containing 807 slot machines, 41 table games and a sports and race book.

The Hard Rock Hotel and Casino features the Hard Rock Beach Club offering lush landscaping, whirlpool, luxury cabanas and a sandy beach, and "The Joint", a live music venue with a 1,400-person capacity. Additional amenities include a health club, a retail store, a 24-hour casual-dining coffee shop and Mortoni's, an Italian fine dining room with indoor and garden patio dining and a view of the Hard Rock Beach Club. The hotel/casino also provides parking spaces for approximately 1,285 cars.

The Hard Rock Hotel and Casino is located adjacent to the Hard Rock Cafe on approximately 16 acres, with 1,200 feet of frontage, near the intersection of Paradise Road and Harmon Avenue. The site is conveniently located at one of the busiest intersections in Las Vegas and is a short distance from the Las Vegas Convention Center, three non-gaming full service hotels with a combined total of approximately 850 rooms and the New Four Corners, which includes major casinos such as the MGM Grand Casino Hotel and Theme Park and New York-New York. The Hard Rock Hotel and Casino hosts special events such as award presentations to rock stars and other celebrities, film premiere parties and fundraising and other charitable activities, as well as frequently scheduled live entertainment, in order to attract its target customers, who tend to be younger and have higher disposable incomes than the average Las Vegas visitor.

7

OWNERSHIP OF THE HARD ROCK HOTEL AND CASINO

The Company, through its wholly-owned subsidiary, Harveys L.V. Management Company, Inc. ("HLVMC") owns 40% of HRHC, which owns the Hard Rock Hotel and Casino. Peter A. Morton, the co-founder of Hard Rock Cafes, through Lily Pond Investments, Inc. ("Lily Pond"), owns substantially all of the remaining interest in HRHC. The ownership and control of HRHC is governed by, among other things, a stockholders agreement between Lily Pond and HLVMC (the "Stockholders Agreement"). Substantially all of the equity interests of Lily Pond are owned by Peter A. Morton who owns the exclusive rights to use the name, mark and logo "Hard Rock Hotel" in the western half of the United States. Mr. Morton and Lily Pond have entered into a sublicense agreement (the "Sublicense Agreement") which gives Lily Pond the right to use the "Hard Rock Hotel" mark.

Pursuant to the Stockholders Agreement, the Company initially made a capital contribution of \$10 million in cash for a 40% equity interest in HRHC. Lily Pond transferred to HRHC a portion of the property on which the Hard Rock Hotel and Casino was developed and assigned the Sublicense Agreement in return for a 60% equity interest in HRHC. The Company and Lily Pond have made

additional capital contributions, on a pro rata basis, of approximately \$12.0 million in return for additional common stock.

The Stockholders Agreement also sets forth the Company's and Lily Pond's rights with respect to, among other things, designation of HRHC's board of directors, preemptive rights and participation in future projects. The Stockholders Agreement places certain restrictions on the transfer of HRHC stock and also grants Lily Pond the right to decide whether HRHC may engage in a public offering of its stock.

Pursuant to the Stockholders Agreement, the Company entered into a management agreement (the "HRHC Management Agreement") with HRHC under which the Company was designated manager (the "Manager") of the Hard Rock Hotel and Casino and HRHC and Mr. Morton entered into a supervisory agreement (the "Supervisory Agreement") regarding certain supervisory and oversight rights and duties with respect thereto.

Under the HRHC Management Agreement, the Company has certain responsibilities with respect to, among other things, the operation of the Hard Rock Hotel and Casino, marketing and sales strategies, employee matters, maintenance, capital expenditure plans and accounting matters. In addition, the Company was required to obtain all liquor and gaming licenses and permits for the Hard Rock Hotel and Casino. As compensation for its services as Manager, the Company receives a base fee equal to 4% of adjusted gross revenues derived from the Hard Rock Hotel and Casino. In addition, the Company will be entitled to an incentive fee of up to 2% of adjusted gross revenues if the Hard Rock Hotel and Casino achieves certain performance targets.

Either party has the right to terminate the HRHC Management Agreement if certain performance levels are not achieved at specified times. In addition, HRHC may also terminate the HRHC Management Agreement if (i) the Company reduces its equity interest in HRHC to below

8

20%, (ii) certain stockholders of the Company cease to own at least 40% of the voting power of the Company or (iii) the Company ceases to own or maintain gaming operations elsewhere. The term of the HRHC Management Agreement commenced on the date of its execution and will continue until the year 2018. The Company has the option to renew the HRHC Management Agreement for two consecutive 15-year terms.

The Supervisory Agreement delineates Mr. Morton's right to supervise the Hard Rock Hotel and Casino with respect to development, improvement, operation and maintenance. Mr. Morton is responsible for ensuring that the Hard Rock Hotel and Casino's concept, design, image, operational standards, service levels, theme, music and entertainment are similar to those of Hard Rock Cafes. Mr. Morton's fee under the Supervisory Agreement is equal to 2% of adjusted gross revenues of the Hard Rock Hotel and Casino. The term of the Supervisory Agreement is the same as that of the HRHC Management Agreement.

HARVEYS CASINO HOTEL

On January 1, 1996, the Company opened, as the first phase of Harveys Casino Hotel, a 2,352-passenger riverboat casino berthed on the Missouri River directly across from Omaha, Nebraska in Council Bluffs, Iowa. The riverboat casino has 24,500 square feet of casino space on two decks and contains 906 slot machines, 48 table games and a seven-table poker area. On May 24, 1996, the Company opened the second phase of Harveys Casino Hotel, including surface parking for approximately 1,700 cars, and a 14-story, 251-room hotel with a 21,000 square foot convention center. Harveys Casino Hotel is within a ten-minute drive of the Omaha/Council Bluffs regional airport and is located directly off of Interstate 29, Interstate 80 and Interstate 480.

Harveys Casino Hotel is located on a 60-acre parcel of land which the Company acquired from the City of Council Bluffs. Approximately 20 acres of the site are occupied by a municipal nine-hole golf course, which is leased to the City of Council Bluffs for a nominal fee. This arrangement allows the Company the option of using this land for future expansion needs. In addition, the Company has acquired an adjacent 44-acre site to accommodate future expansion or support facilities.

Harveys Casino Hotel's target market is the approximately 730,000 residents in the greater Omaha/Council Bluffs metropolitan area and the nearly 3 million residents within a three-hour drive of the facility. In addition, the casino, hotel and convention facilities will be marketed to the estimated 2.5 million visitors and tourists who visit the Omaha metropolitan area annually. Harveys Casino Hotel markets itself as "Harveys, You Can Have It All!" in the Omaha/Council Bluffs market through the extensive use of television and newspaper advertisement, billboards, regular promotions and sweepstakes as well as point-of-sale materials located in local hotels, restaurants and other visitor attractions. Harveys Casino Hotel targets frequent, mid-level players from Omaha, Council Bluffs and the surrounding area. The Company

believes that the hotel and convention facilities will attract new players by capturing overnight guests and meetings and small conventions business. In addition, by promoting the property as "Harveys, You Can Have It All!", management believes that

9

Harveys Casino Hotel will attract a large percentage of the gaming revenues generated by the Omaha/Council Bluffs regional population and visitors to the Omaha/Council Bluffs area.

COMPETITION

LAKE TAHOE

The Company competes for customers primarily on the basis of location, range and pricing of amenities and overall atmosphere. Several of the competitors of Harveys Resort have substantially greater name recognition and financial and marketing resources. Harveys Resort competes with a number of other hotel casinos in Lake Tahoe and, to a lesser extent, with hotel/casino operations located in Reno, Las Vegas and Laughlin, Nevada. In South Lake Tahoe, Harveys Resort competes primarily with three other major casino operations: Harrah's Lake Tahoe, Caesars Tahoe and the Horizon Casino Resort.

In 1987, the Tahoe Regional Planning Agency, an entity established under a bi-state compact reached between the states of California and Nevada, placed restrictions on additional commercial, residential and tourist accommodation construction in Lake Tahoe in an effort to curb development and to preserve the local environment. Under the bi-state compact and community plan constraints, future tourist accommodation units added to the market will be required to mitigate environmental impacts from expansion. Such measures may include replacing an imposed multiple of older tourist accommodation units. The limited number of rooms available in Lake Tahoe, however, allows Lake Tahoe hotel/casino operators there to achieve much higher nightly room rates than those in most of the gaming industry. The occupancy rate for the 2,250 upscale rooms in the four major south Lake Tahoe casinos has historically been between 80% and 85%, while the occupancy rate in the motels is typically between 40% and 50%. It is estimated that the average day room rate for the Lake Tahoe hotel/casinos is approximately \$100, compared to average estimated rates of \$28-\$62 for Las Vegas, Reno and Laughlin. The Tahoe Regional Planning Agency has imposed significant restrictions on construction as well as on expansion of gaming facilities. These restrictions prohibit existing casinos from expanding cubic volume of structures housing gaming and limit expansion of the gaming areas within such structures. The Company believes that because of such restrictions, it is unlikely that any new hotel/casinos will commence operations in Lake Tahoe or that any of the smaller existing casinos will expand to a size that could make them competitive with the four major casinos; however, the Company expects that the four major hotel/casinos will continue to compete intensely.

CENTRAL CITY/BLACK HAWK

Harveys Wagon Wheel competes primarily with the five casinos with the largest numbers of gaming devices in Central City and Black Hawk as well as the 26 other smaller gaming establishments in operation, as of October 1, 1996, in Central City and Black Hawk. The top five casinos, together with Harveys Wagon Wheel, currently control more than 43% of all gaming devices in the Central City/Black Hawk area. See "Harveys Wagon Wheel" above. In addition, as of October 1, 1996, there were approximately 24 other gaming establishments operating within

10

Cripple Creek, the third city in the state of Colorado where gaming is legal, and two establishments located on two Native American reservations in southwest Colorado. The contiguous cities of Central City and Black Hawk form Colorado's primary gaming market. In Colorado the majority of the gaming establishments lack on-site parking, over-night accommodations and non-gaming amenities. Currently, limited stakes gaming in Colorado is legal in Central City, Black Hawk, Cripple Creek and two Native American reservations in southwest Colorado. However, there can be no assurances that gaming will not be approved in other Colorado communities in the future. The legalization of gaming closer to Denver, the major population center of Colorado, would likely have a material adverse effect on the Company's operation in Central City.

LAS VEGAS

The Hard Rock Hotel and Casino provides a "themed" product and targets a "niche" market consisting of individuals who are younger and have a higher income than the average Las Vegas visitor. The Hard Rock Hotel and Casino competes with other highly-themed Las Vegas resorts, such as The Mirage, Excalibur, Luxor, Treasure Island, MGM Grand Casino Hotel and Theme Park and the

recently opened New York-New York. The Company believes that the Hard Rock Hotel and Casino also competes with other Las Vegas hotel/casinos, including those located on the Las Vegas Strip, and to a lesser extent those along the Boulder Highway and in downtown Las Vegas. Although the opening of additional new facilities could have a positive effect on the Hard Rock Hotel and Casino if more visitors are drawn to Las Vegas generally, these facilities as well as any other major additions, expansions or enhancements of existing properties by competitors, could have a material adverse effect on the business of the Hard Rock Hotel and Casino. In addition, the Company believes that the Hard Rock Hotel and Casino will benefit from the recent and anticipated future growth of Las Vegas and the overall popularity of gaming in Las Vegas. A decline or leveling off of growth or popularity of gaming in Las Vegas could adversely affect the Company's operations in Las Vegas.

OMAHA/COUNCIL BLUFFS

Harveys Casino Hotel, with its riverboat casino that opened on January 1, 1996 and the adjacent 251-room hotel and 21,000 square foot convention center that opened on May 24, 1996, provide that city's first major hotel product. The Company's target markets are the residential population base (approximately 730,000) of the greater Omaha/Council Bluffs area, and the nearly 3 million residents within a three-hour drive of the facility. Additionally, the Company's hotel and convention facilities will be marketed to an estimated 2.5 million visitors and tourists who visit the Omaha metropolitan area annually, which now offers approximately 7,000 hotel and motel units and is home to major tourist attractions such as zoos, museums, pari-mutuel tracks, and historic monuments. The Company's casino competes with Ameristar Casino Inc.'s riverboat casino in Council Bluffs, which opened on January 19, 1996, as well as with the slot machines installed at a dogtrack in the Council Bluffs area and other amusement attractions. As the Company's casino

11

represents the first experience of casino gaming in the Omaha/Council Bluffs area, there can be no assurance that the operation can be operated profitably. Should casino-style gaming be legalized in Nebraska, and should gaming facilities be opened in Omaha, Nebraska, Harveys Casino Hotel could be materially adversely affected.

EMPLOYEES

As of February 21, 1997 the Company had approximately 4,950 employees. Management believes that employee relations are good. The Company has entered into a collective bargaining agreement that covers approximately ten employees. This agreement relates to stage-hand employees who provide support to entertainment facilities at Harveys Resort. None of the Company's other employees are represented by labor unions.

REGULATORY MATTERS

NEVADA GAMING LAWS AND RELATIONS

The ownership and operation of casino gaming facilities in Nevada are subject to the Nevada Gaming Control Act and the regulations promulgated thereunder (collectively, "Nevada Act") and various local regulations. The Company's gaming operations are subject to the licensing and regulatory control of the Nevada State Gaming Control Board (the "Nevada Board"), the Nevada Gaming Commission (the "Nevada Commission"), the Douglas County Liquor Board and the Clark County Liquor and Gaming Licensing Board ("CCLGLB", and together with the Nevada Board and the Nevada Commission, the "Nevada Gaming Authorities").

The laws, regulations and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy which are concerned with, among other things: (i) the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity; (ii) the establishment and maintenance of responsible accounting practices and procedures; (iii) the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues, providing reliable record keeping and requiring the filing of periodic reports with the Nevada Gaming Authorities; (iv) the prevention of cheating and fraudulent practices; and (v) to provide a source of state and local revenues through taxation and licensing fees. Change in such laws, regulations and procedures could have an adverse effect on the Company's gaming operations.

Any company that operates a Nevada gaming casino is required to be licensed by the Nevada Gaming Authorities. The gaming license requires the periodic payment of fees and taxes and is not transferable. The Company is registered by the Nevada Commission as a publicly traded corporation ("Registered Corporation") and as such, it is required periodically to submit detailed financial and operating reports to the Nevada Commission and furnish any other information which the

Nevada Commission may require. The Company has obtained from the Nevada Gaming Authorities the various registrations, approvals, permits and licenses required in order to engage in gaming activities in Nevada.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, the Company in order to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Officers, directors and certain key employees of the Company must file applications with the Nevada Gaming Authorities and may be required to be licensed or found suitable by the Nevada Gaming Authorities. The Nevada Gaming Authorities may deny an application for licensing for any cause which they deem reasonable. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation. The applicant for licensing or a finding of suitability must pay all the costs of the investigation. Changes in licensed positions must be reported to the Nevada Gaming Authorities and in addition to their authority to deny an application for a finding of suitability or licensure, the Nevada Gaming Authorities have jurisdiction to disapprove a change in a corporate position.

If the Nevada Gaming Authorities were to find an officer, director or key employee unsuitable for licensing or unsuitable to continue having a relationship with the Company, the companies involved would have to sever all relationships with such person. In addition, the Nevada Commission may require the Company to terminate the employment of any person who refuses to file appropriate applications. Determinations of suitability or of questions pertaining to licensing are not subject to judicial review in Nevada.

The Company is required to submit detailed financial and operating reports to the Nevada Commission. Substantially all material loans, leases, sales of securities and similar financing transactions by the Company must be reported to, or approved by, the Nevada Commission.

If it were determined that the Nevada Act was violated by the Company, the gaming licenses it holds could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory procedures. In addition, the Company, and the persons involved, could be subject to substantial fines of up to \$250,000 for each separate violation of the Nevada Act at the discretion of the Nevada Commission. Further, a supervisor could be appointed by the Nevada Commission to operate the Company's gaming properties and, under certain circumstances, earnings generated during the supervisor's appointment (except for the reasonable rental value of the Company's gaming properties) could be forfeited to the State of Nevada. Limitation, conditioning or suspension of any gaming license or the appointment of a supervisor could (and revocation of any gaming license would) materially adversely affect the Company's gaming operations.

Any beneficial holder of the Company's voting securities, regardless of the number of shares owned, may be required to file an application, be investigated, and have such holder's suitability as a beneficial holder of the Company's voting securities determined if the Nevada Commission has reason to believe that such ownership would otherwise be inconsistent with the declared policies of

the State of Nevada. The applicant must pay all costs of investigation incurred by the Nevada Gaming Authorities in conducting any such investigation.

The Nevada Act requires any person who acquires more than 5% of the Company's voting securities to report the acquisition to the Nevada Commission and may be required to be found suitable. The Nevada Act requires that beneficial owners of more than 10% of the Company's voting securities apply to the Nevada Commission for a finding of suitability within thirty days after the Chairman of the Nevada Board mails the written notice requiring such filing. Under certain circumstances, an "institutional investor", as defined in the Nevada Act, which acquires more than 10%, but not more than 15%, of the Company's voting securities may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor shall not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of the board of directors of the Company, any change in the Company's corporate charter, bylaws, management, policies or operations of the Company, or any of its gaming affiliates, or any other action which the Nevada Commission finds to be inconsistent with holding the Company's voting securities for investment

purposes only. Activities which are not deemed to be inconsistent with holding voting securities for investment purposes only include: (i) voting on all matters voted on by stockholders; (ii) making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in its management, policies or operations; and (iii) such other activities as the Nevada Commission may determine to be consistent with such investment intent. If the beneficial holder of voting securities who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

Any person who fails or refuses to apply for a finding of suitability or a license within thirty days after being ordered to do so by the Nevada Commission or the Chairman of the Nevada Board, may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any stockholder found unsuitable and who holds, directly or indirectly, any beneficial ownership of the common stock of a Registered Corporation beyond such period of time as may be prescribed by the Nevada Commission may be guilty of a criminal offense. The Company is subject to disciplinary action if, after it receives notice that a person is unsuitable to be a stockholder or to have any other relationship with the Company, the Company (i) pays that person any dividend or interest upon voting securities of the Company, (ii) allows that person to exercise, directly or indirectly, any voting right conferred through securities held by that person, (iii) pays remuneration in any form to that person for services rendered or otherwise, or (iv) fails to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities for cash at fair market value. Additionally, the CCLGLB has taken the position that it has the authority to approve all persons owning or controlling the stock of any corporation controlling a gaming license.

14

The Nevada Commission may, in its discretion, require the holder of any debt security of a Registered Corporation to file applications, be investigated and be found suitable to own the debt security of a Registered Corporation. If the Nevada Commission determines that a person is unsuitable to own such security, then pursuant to the Nevada Act, the Registered Corporation can be sanctioned, including the loss of its approvals, if without the prior approval of the Nevada Commission, it: (i) pays to the unsuitable person any dividend, interest, or any distribution whatsoever; (ii) recognizes any voting right by such unsuitable person in connection with such securities; (iii) pays the unsuitable person remuneration in any form; or (iv) makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation, or similar transaction.

The Company is required to maintain a current stock ledger in Nevada which may be examined by the Nevada Gaming Authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. The Company is also required to render maximum assistance in determining the identity of the beneficial owner. The Nevada Commission has the power to require the Company's stock certificates to bear a legend indicating that the securities are subject to the Nevada Act. However, to date, the Nevada Commission has not imposed such a requirement on the Company.

The Company may not make a public offering of its securities without the prior approval of the Nevada Commission if the securities or the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes. Such approval, if given, does not constitute a finding, recommendation or approval by the Nevada Commission or the Nevada Board as to the accuracy or adequacy of the prospectus or the investment merits of the securities. Any representation to the contrary is unlawful.

Changes in control of the Company through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby the person obtains control, may not occur without the prior approval of the Nevada Commission. Entities seeking to acquire control of a Registered Corporation must satisfy the Nevada Board and Nevada Commission in a variety of stringent standards prior to assuming control of such Registered Corporation. The Nevada Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control to be investigated and licensed as part of the approval process relating to the transaction.

The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and corporate defense tactics affecting Nevada gaming licensees, and Registered Corporations that are affiliated with those operations, may be injurious to stable and productive corporate gaming. The Nevada Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to: (i) assure the

gaming operators and their affiliates; (ii) preserve the beneficial aspects of conducting business in the corporate form; and (iii) promote a neutral environment for the orderly governance of corporate affairs. Approvals are, in certain circumstances, required from the Nevada Commission before the Company can make exceptional repurchases of voting securities above the current market price thereof and before a corporate acquisition opposed by management can be consummated. The Nevada Act also requires prior approval of a plan of recapitalization proposed by the Company's Board of Directors in response to a tender offer made directly to the Registered Corporation's stockholders for the purposes of acquiring control of the Registered Corporation.

License fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Nevada and to the counties and cities in which the Nevada licensee's respective operations are conducted. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually and are based upon either: (i) a percentage of the gross revenues received; (ii) the number of gaming devices operated; or (iii) the number of table games operated. A casino entertainment tax is also paid by casino operations where entertainment is furnished in connection with the selling of food or refreshments. Nevada licensees that hold a license as an operator of a slot route, or a manufacturer's or distributor's license, also pay certain fees and taxes to the State of Nevada.

Any person who is licensed, required to be licensed, registered, required to be registered, or is under common control with such persons (collectively, "Licensees"), and who proposes to become involved in a gaming venture outside of Nevada is required to deposit with the Nevada Board, and thereafter maintain, a revolving fund in the amount of \$ 10,000 to pay the expenses of investigation of the Nevada Board of their participation in such foreign gaming. The revolving fund is subject to increase or decrease in the discretion of the Nevada Commission. Thereafter, Licensees are required to comply with certain reporting requirements imposed by the Nevada Act. Licensees are also subject to disciplinary action by the Nevada Commission if it knowingly violates any laws of the foreign jurisdiction pertaining to the foreign gaming operation, fails to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations, engages in activities that are harmful to the State of Nevada or its ability to collect gaming taxes and fees, or employs a person in the foreign operation who has been denied a license or finding of suitability in Nevada on the ground of personal unsuitability.

COLORADO GAMING LAWS AND REGULATIONS

The State of Colorado created the Division of Gaming (the "Division") within the Department of Revenue to license, implement, regulate and supervise the conduct of limited gaming under the Colorado Limited Gaming Act. The Director of the Division, under the supervision of a five-member Colorado Limited Gaming Control Commission (the "Colorado Commission"), has been granted broad power to ensure compliance with the Colorado gaming regulations (the "Colorado Regulations"). The Director may inspect, without notice, impound or remove any gaming device. He may examine and copy any licensee's records, may investigate the background and conduct of licensees and their employees, and may bring disciplinary actions against licensees and

their employees. He also may conduct detailed background investigations of persons who loan money to the Company.

The Colorado Commission is empowered to issue five types of gaming and gaming-related licenses. The licenses are revocable and non-transferrable. The failure or inability of the Company, HCCMC, Harveys Wagon Wheel or others associated with Harveys Wagon Wheel, to maintain necessary gaming licenses will have a material adverse effect on the operations of the Company. All persons employed by the Company, HCCMC or Harveys Wagon Wheel and involved, directly or indirectly, in gaming operations in Colorado also are required to obtain a Colorado gaming license. All licenses must be renewed annually.

As a general rule, under the Colorado Regulations, it is a criminal violation for any person to have a legal, beneficial, voting or equitable interest, or right to receive profits, in more than three retail gaming licenses in Colorado. The Commission has ruled that a person does not have an interest in a licensee for purposes of the multiple license prohibition if: (i) such person has less than a five percent (5%) interest in an institutional investor which has an interest in a publicly traded licensee or publicly traded company affiliated with a licensee (such as the Company); (ii) a person has a five percent (5%) or more financial interest in an institutional investor, but the

institutional investor has less than a five percent (5%) interest in a publicly traded licensee or publicly traded company affiliated with a licensee; (iii) an institutional investor has less than a five percent (5%) financial interest in a publicly traded licensee or publicly traded company affiliated with a licensee; (iv) an institutional investor possesses securities in a fiduciary capacity for another person, and does not exercise voting control over five percent (5%) or more of the outstanding voting securities of a publicly traded licensee or of a publicly traded company affiliated with a licensee; (v) a registered broker or dealer retains possession of securities of a publicly traded licensee or of a publicly traded company affiliated with a licensee for its customers in street name or otherwise, and exercises voting rights for less than five percent (5%) of the publicly traded licensee's voting securities or of a publicly traded company affiliated with a licensee; (vi) a registered broker or dealer acts as a market maker for the stock of a publicly traded licensee or of a publicly traded company affiliated with a licensee and possesses a voting interest in less than five percent (5%) of the stock of the publicly traded licensee or of a publicly traded company affiliated with a licensee; (vii) an underwriter is holding securities of a publicly traded licensee or of a publicly traded company affiliated with a licensee as part of an underwriting for no more than 90 days if it exercises voting rights of less than five percent (5%) of the outstanding securities of a publicly traded licensee or of a publicly traded company affiliated with a licensee; (viii) a stock clearinghouse holds voting securities for third parties, if it exercises voting rights with respect to less than five percent (5%) of the outstanding securities of a publicly traded licensee or of a publicly traded company affiliated with a licensee; or (ix) a person owns less than five percent (5%) of the voting securities of the publicly traded licensee or publicly traded company affiliated with a licensee. Hence, the Company's and its stockholders' business opportunities in Colorado are limited to such interests that comply with the statute and Commission's rule.

17

Although attorneys for the Colorado legislature initially expressed concern that the promulgation of the above-described regulation was beyond the Colorado Commission's statutory delegated authority, they appear to have retreated from this position. Therefore, unless the Colorado legislature repeals the regulation, it is likely that it will continue in effect.

In addition, pursuant to the Colorado Regulations, no manufacturer or distributor of slot machines may have an interest in any casino operator, allow any of its officers to have such an interest, employ any person if such person is employed by a casino operator, or allow any casino operator or person with a substantial interest therein to have an interest in a manufacturer's or distributor's business. The Commission has ruled that a person does not have a "substantial interest" if it directly or indirectly has less than five percent (5%) of such voting securities of a licensee.

Under the Colorado Regulations, any person or entity having any direct or indirect interest in a gaming licensee or an applicant for a gaming license, including, but not limited to, the Company and stockholders of the Company, may be required to supply the Colorado Commission with substantial information, including, but not limited to, background information, source of funding information, a sworn statement that such person or entity is not holding his interest for any other party, and fingerprints. Such information, investigation and licensing as an "associated person" automatically will be required of all persons (other than certain institutional investors discussed below) which directly or indirectly own ten percent (10%) or more of a direct or indirect legal, beneficial or voting interest in Harveys Wagon Wheel, through their ownership in the Company. Such persons must report their interest and file appropriate applications within 45 days after acquiring such interest. Persons directly or indirectly having a five percent (5%) or more interest (but less than 10%) in Harveys Wagon Wheel, through their ownership in the Company, must report their interest to the Colorado within ten (10) days after acquiring such interest and may be required to provide additional information and to be found suitable. If certain institutional investors provide certain information to the Colorado Commission, such investors, at the Colorado Commission's discretion, may be permitted to own up to 14.99% of Harveys Wagon Wheel, through their ownership in the Company, before being required to be found suitable. All licensing and investigation fees will have to be paid by the person in question. The associated person investigation fee currently is \$48 per hour.

The Colorado Commission also has the right to request information from any person directly or indirectly interested in, or employed by, a licensee, and to investigate the moral character, honesty, integrity, prior activities, criminal record, reputation, habits and associations of (i) all persons licensed pursuant to the Colorado Limited Gaming Act, (ii) all officers, directors and stockholders of a licensed privately held corporation, (iii) all officers, directors and stockholders holding either a five percent (5%) or greater interest or a controlling interest in a licensed publicly traded corporation, (iv) all general partners and all limited partners of a licensed partnership, (v) all persons which have a relationship similar to that of an officer, director or stockholder of a corporation (such as members and managers of a limited liability company), (vi) all persons supplying financing or loaning

money to any licensee connected with the establishment or operation of limited gaming, and (vii) all persons having a contract, lease or ongoing financial or business arrangement

18

with any licensee, where such contract, lease or arrangement relates to limited gaming operations, equipment, devices or premises.

In addition, under the Colorado Regulations, every person who is a party to a "gaming contract" with an applicant for a license, or with a licensee, upon the request of the Colorado Commission or the Director, promptly must provide to the Colorado Commission or Director all information which may be requested concerning financial history, financial holdings, real and personal property ownership, interests in other companies, criminal history, personal history and associations, character, reputation in the community, and all other information which might be relevant to a determination whether a person would be suitable to be licensed by the Colorado Commission. Failure to provide all information requested constitutes sufficient grounds for the Director or the Colorado Commission to require a licensee or applicant to terminate its "gaming contract" (as defined below) with any person who failed to provide the information requested. In addition, the Director or the Colorado Commission may require changes in "gaming contracts" before an application is approved or participation in the contract is allowed. A "gaming contract" is defined as an agreement in which a person does business with or on the premises of a licensed entity.

An application for licensure or suitability may be denied for any cause deemed reasonable by the Colorado Commission or the Director, as appropriate. Specifically, the Colorado Commission and the Director must deny a license to any applicant who (i) fails to prove by clear and convincing evidence that the applicant is qualified; (ii) fails to provide information and documentation requested; (iii) fails to reveal any fact material to qualification, or supplies information which is untrue or misleading as to a material fact pertaining to qualification; (iv) has been, or is any director, officer, general partner, stockholder, limited partner or other person who has a financial or equity interest in the applicant who has been, convicted of certain crimes, including the service of a sentence upon conviction of a felony in a correctional facility, city or county jail, or community correctional facility or under the state board of parole or any probation department within ten years prior to the date of the application, gambling-related offenses, theft by deception or crimes involving fraud or misrepresentation, is under current prosecution for such crimes (during the pendency of which license determination may be deferred), is a career offender or a member or associate of a career offender cartel, or is a professional gambler; or (v) has refused to cooperate with any state or federal body investigating organized crime, official corruption or gaming offenses.

If the Colorado Commission determines that a person or entity is unsuitable to own interests in the Company, then the Company, HCCMC or Harveys Wagon Wheel may be sanctioned, which may include the loss by the Company, HCCMC or Harveys Wagon Wheel of their respective approvals and licenses.

The Colorado Commission does not need to approve in advance a public offering of securities but rather requires a filing of notice and additional documents with regard to such public offering prior to such public offering. Under the regulations, the Colorado Commission may, in its discretion, require additional information and prior approval of such public offering.

19

In addition, the Colorado Regulations prohibit a licensee or affiliated company thereof, such as the Company, from paying dividends, interest or other remuneration to any unsuitable person, or recognizing the exercise of any voting rights by any unsuitable person. Further, the Company may repurchase the shares of anyone found unsuitable at the lesser of the cash equivalent to the original investment in the Company or the current market price. Further, the regulations require anyone with a material involvement with a licensee, including a director or officer of a holding company, such as the Company, to file for a finding of suitability if required by the Colorado Commission.

In addition to its authority to deny an application for a license or suitability, the Colorado Commission has jurisdiction to disapprove a change in corporate position of a licensee and may have such authority with respect to any entity which is required to be found suitable by the Colorado Commission. The Colorado Commission has the power to require the Company, HCCMC and Harveys Wagon Wheel to suspend or dismiss managers, officers, directors and other key employees or sever relationships with other persons who refuse to file appropriate applications or whom the authorities find unsuitable to act in such capacities; and may have such power with respect to any entity which is required to be found suitable.

A person or entity may not sell, lease, purchase, convey or acquire a

controlling interest in the Company without the prior approval of the Colorado Commission. The Company may not sell any interest in HCCMC or Harveys Wagon Wheel without the prior approval of the Colorado Commission.

Harveys Wagon Wheel must meet certain architectural requirements, fire safety standards and standards for access for disabled persons. Harveys Wagon Wheel also must not exceed certain gaming square footage limits as a total of each floor and the full building. The casino at Harveys Wagon Wheel may operate only between 8:00 am. to 2:00 am., and may permit only individuals 21 years or older to gamble in the casino. It may permit slot machines, blackjack and poker, with a maximum single bet of \$5.00. Harveys Wagon Wheel may not provide credit to its gaming patrons.

The Colorado Regulations permit gaming only in a limited number of cities and certain commercial districts.

The Colorado Constitution permits a gaming tax of up to 40% on adjusted gross gaming proceeds. The Colorado Commission has set a gaming tax rate of 2% on adjusted gross gaming proceeds of up to and including \$2 million, 4% over \$2 million up to and including \$4 million, 14% over \$4 million up to and including \$5 million, 18% over \$5 million up to and including \$10 million and 20% on adjusted gross gaming proceeds in excess of \$10 million. The Colorado Commission also has imposed an annual device fee of \$75 per gaming device. The Colorado Commission may revise the gaming tax rate and device fee from time to time. Central City has imposed an annual device fee of \$1,165 per gaming device and may revise the same from time to time.

The sale of alcoholic beverages is subject to licensing, control and regulation by the Colorado Liquor Agencies. All persons who directly or indirectly own 10% or more of Harveys Wagon Wheel,

20

through their ownership of the Company, must file applications and possibly be investigated by the Colorado Liquor Agencies. The Colorado Liquor Agencies also may investigate those persons who, directly or indirectly, loan money to or have any financial interest in liquor licensees. All licenses are revocable and not transferable. The Colorado Liquor Agencies have the full power to limit, condition, suspend or revoke any such license and any such disciplinary action could (and revocation would) have a material adverse effect upon the operations of the Company. Harveys Wagon Wheel holds a hotel and restaurant liquor license for its casino, hotel and restaurant operations, rather than a gaming tavern license. Accordingly, no person with an interest in the Company can have an interest in a liquor licensee which holds anything other than a hotel and restaurant liquor license, and specifically cannot have an interest in an entity which holds a gaming tavern license.

IOWA GAMING LAWS AND REGULATIONS

The State of Iowa first authorized excursion gambling boat activities in 1989. The Iowa Racing and Gaming Commission (the "Iowa Commission") has the authority to grant and review licenses to owners and operators of excursion gambling boats and has the further authority to adopt and enforce rules governing a broad range of subjects dealing with excursion gambling boat facilities and operations. The Iowa Commission consists of five members who are appointed by the governor and confirmed by the state senate. Members serve a term not to exceed three years at the pleasure of the governor.

Under Iowa law, only non-profit organizations may receive a license to own gambling game operations; for profit organizations may receive a license for their management and operation. The Company, through its wholly-owned subsidiary, Harveys Iowa Management Company, Inc. ("HIMC"), together with Iowa West, a qualified non-profit organization, have been granted the necessary licenses to own and operate the current gambling facilities and activities on the riverboat casino at Harveys Casino Hotel. The present licenses have a term expiring March 31, 1997. The licenses are granted upon the condition that the license holders accept, observe and enforce all applicable laws, regulations, ordinances, rules and orders. Any violation by a license holder, including violations by its officers, employees or agents, may result in disciplinary action, including the suspension or revocation of the license.

HIMC and Iowa West have entered into an excursion sponsorship and operating agreement dated August 22, 1994 (the "Operating Agreement") pursuant to which Iowa West authorizes HIMC to operate the excursion gambling boat activities on the riverboat casino under Iowa West's gaming license. The Operating Agreement's initial term continues through December 31, 2002 and during such term HIMC has agreed to pay Iowa West a fee equal to \$1.50 for each adult passenger embarking upon the excursion gambling boat. HIMC further agrees to pay, and hold Iowa West harmless from, the admission fees payable to the Iowa Commission and the local municipality and the wagering tax imposed by Iowa law. Following the expiration of the initial term of the Operating Agreement, HIMC may extend its provisions for five successive three-year periods, except that the admission fees payable by HIMC to Iowa West for each such period shall be adjusted to reflect increases

Excursion boat gambling licenses may be granted by the Iowa Commission only in those counties that have approved the conduct of gambling games in a county-wide referendum. Gambling has been approved by the county electorate in Pottawattamie County, Iowa, the location of Harveys Casino Hotel, but another referendum requested by petition can be held and there can be no assurance that gambling would again be approved. If licenses to conduct gambling games and to operate an excursion gambling boat are in effect at the time gambling is disapproved by a referendum of the county electorate, the licenses remain valid and may, at the discretion of the Iowa Commission, be renewed for a total of nine years from the date of the original issue.

Following the issuance of a gaming license, the Iowa Commission monitors and supervises the activities of the excursion gambling boat and its licenses. Material contracts to be entered into by the licensee, changes in ownership of the licensee and acquisitions of interests in other gambling activities by the licensee or its owners must all be reported to, and approved by, the Iowa Commission. Further, the Iowa Commission has the authority to determine the payouts from the gambling games, to set the payout rate for all slot machines, to establish minimum charges for admission to excursion gambling boats and regulate the number of free admissions and to define the excursion season and the duration of an excursion.

Iowa law authorizes the imposition of an admission fee, set by and payable to the Iowa Commission, on each person embarking on an excursion gambling boat. An additional admission fee may be imposed by the municipality in which the gambling operation is located. In practice, the Iowa Commission has not imposed a per-person admission fee, but rather imposed a fee on each excursion gambling boat based upon the estimated costs of supervision and enforcement to be incurred by the Iowa Commission for the ensuing fiscal year. For the fiscal year beginning July 1, 1996, the fee is \$276,848, payable in weekly installments of \$5,324. A \$0.50 per person admission fee is also payable to the City of Council Bluffs, Iowa. Further, Iowa law imposes an annual wagering tax ranging from five percent on the first million of adjusted gross receipts from gambling games to 20 percent on adjusted gross receipts in excess of \$3 million.

The Company's excursion gambling boat activities are also subject to safety and inspection requirements of the State of Iowa and the U.S. Coast Guard. These requirements set limits on the operation of the vessel; mandate that it must be operated by a minimum complement of licensed personnel; establish periodic inspections, including the physical inspection of the outside hull requiring the vessel to be drydocked every five years; and establish other mechanical and operational rules.

ITEM 2. PROPERTIES

Harveys Resort comprises approximately 1,020,000 square feet on approximately 19.8 acres, of which the Company owns approximately 5.4 acres and leases approximately 14.4 acres pursuant to several ground leases that expire in 2015. A 973,000-square foot parking garage and certain other amenities are located on the leased property.

The Harveys Wagon Wheel facility comprises approximately 200,000 square feet on approximately 1.1 acres. Additionally, HCCMC, a wholly-owned subsidiary of the Company, owns approximately 48 acres of undeveloped land adjacent to the Harveys Wagon Wheel facility. The Company has commenced construction, of a parking garage, on an eight-acre portion of the 48 acres. As currently designed, the garage will accommodate approximately 550 automobiles and is expected to be completed in the summer of 1997.

The Hard Rock Hotel and Casino facility is located on approximately 16 acres owned by HRHC. The hotel/casino comprises approximately 358,000 square feet.

Harveys Casino Hotel is located on approximately 36 acres of land owned by the Company. The land-based amenities, including a covered "skywalk" to the riverboat casino, are comprised of a hotel, convention center, and passenger staging area, totalling nearly 300,000 square feet. Contiguous thereto is a 24-acre leasehold parcel which contains the boat docking facility and additional parking. This parcel is subject to a long term lease with the City of Council Bluffs for a nominal annual sum. Additionally, the Company owns an adjacent 44-acre parcel suitable for expansion or support facilities.

ITEM 3. LEGAL PROCEEDINGS

The Company is a defendant in various lawsuits relating to routine matters

incidental to its business. Management does not believe that the outcome of any such litigation, in the aggregate, will have a material adverse effect on the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of fiscal 1996.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The \$0.01 par value per share common stock of the Company (the "Common Stock") is traded on the New York Stock Exchange (the "NYSE") under the symbol "HVY". The following table sets forth, for the periods indicated, the high and low sale price per share of the Common Stock as reported by the NYSE.

Year Ended November 30, 1996:	HIGH	LOW
First Quarter	\$19 7/8	\$15 1/8
Second Quarter.	21 1/2	15 1/2
Third Quarter	23	16 3/8
Fourth Quarter.	19	15 5/8

23

Year Ended November 30, 1995:	HIGH	LOW
First Quarter	\$18 5/8	\$12 3/4
Second Quarter.	23 3/4	16 3/8
Third Quarter	21 3/8	17 5/8
Fourth Quarter.	19 5/8	14 1/2

As of February 21, 1997 there were 2,093 stockholders of record of the Company's Common Stock.

Since the Company's initial public offering on February 14, 1994, the Company paid regular quarterly cash dividends. Until the second quarter of fiscal 1996, the regular quarterly dividend amounted to \$0.04 per share. Beginning with the second quarter of fiscal 1996, the regular quarterly dividend was increased to \$0.05 per share. The payment of dividends in the future will be at the discretion of the Board of Directors. In determining whether to pay dividends (as well as the amount and timing thereof), the Board of Directors will consider a number of factors, including the Company's financial condition, earnings and capital requirements, legal requirements and regulatory constraints, and any applicable restrictive provisions in any credit agreements to which the Company is a party at such time. The Company's \$115.0 million reducing revolving credit facility and the indenture governing the Company's \$150.0 million of senior subordinated notes allow for the payment of dividends if the Company meets certain financial performance standards. The Company does not expect that the regulatory constraints or other restrictions will affect its ability to declare or pay the quarterly dividends contemplated by the dividend policy described above. See Item 7. "Management's Discussion and Analysis of the Company's Financial Condition and Results of Operations."

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial data of the Company for the years ended November 30, 1992 through November 30, 1996. The statement of income and balance sheet data are derived from the Company's audited Consolidated Financial Statements for the years ended November 30, 1992 through November 30, 1996. Deloitte & Touche LLP's report with respect to such financial statements for the fiscal year ended November 30, 1996 is included elsewhere in this report. Grant Thornton LLP's report with respect to such financial statements for the fiscal years ended November 30, 1994 and 1995 is included elsewhere in this report. The Selected Consolidated Financial Data is not necessarily indicative of the Company's future results of operations or financial condition, and should be read in conjunction with "Management's Discussion and Analysis of the Company's Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements, including the Notes thereto, and the other financial and statistical information appearing elsewhere in this report.

24

SELECTED CONSOLIDATED FINANCIAL DATA

<TABLE>
<CAPTION>

	Years Ended November 30,				
	1996	1995	1994	1993	1992
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)				
<S>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED STATEMENT OF INCOME DATA					
Revenues					
Casino	\$ 186,369	\$ 121,369	\$ 83,991	\$ 87,523	\$ 89,036
Lodging	28,746	25,499	21,870	22,292	21,957
Food and beverage	39,852	33,970	29,768	31,011	31,358
Other	6,402	6,287	5,599	5,866	4,591
Management fees and joint venture	5,023	1,669	-	-	-
Less casino promotional allowances	(18,643)	(15,594)	(12,942)	(14,433)	(14,460)
Total net revenues	247,749	173,200	128,286	132,259	132,482
Costs and expenses					
Casino	86,732	57,520	40,999	43,235	44,648
Lodging	11,677	9,458	7,429	6,534	6,404
Food and beverage	24,797	20,280	17,401	17,271	16,799
Other operating	2,813	2,838	2,557	2,733	2,290
Selling, general and administrative	67,128	50,270	39,813	38,159	36,801
Depreciation and amortization	16,482	12,333	9,704	10,300	10,786
Pre-opening expenses	4,099	2,147	-	-	-
Nonrecurring compensaton charges	-	-	-	1,834	-
Total costs and expenses	213,728	154,846	117,903	120,066	117,728
Operating income	34,021	18,354	10,382	12,193	14,754
Interest expense, net (1)	14,195	7,960	2,886	4,256	5,084
Life insurance benefits	-	2,246	371	-	-
Other income (expense), net	(221)	605	(230)	(134)	1,442
Income before income taxes and extraordinary item	19,605	13,245	7,638	7,803	11,112
Income tax provision	(7,791)	(3,900)	(2,500)	(2,994)	(3,500)
Income before extraordinary item	11,814	9,345	5,138	4,809	7,612
Loss on early retirement of debt, net of taxes	522	-	-	-	-
Net income (2)	\$ 11,292	\$ 9,345	\$ 5,138	\$ 4,809	\$ 7,612
PER SHARE DATA (3)					
Net income	\$ 1.16	\$ 0.99	\$ 0.58	\$ 0.67	\$ 1.04
Dividends on common stock	\$ 0.18	\$ 0.16	\$ 0.13	\$ 0.11	\$ 0.05
Weighted average common shares outstanding	9,698,500	9,456,051	8,885,525	7,181,730	7,340,985
OTHER OPERATING DATA					
EBITDA (4)	\$ 54,602	\$ 35,080	\$ 20,458	\$ 24,327	\$ 25,540
Net cash provided by operating activities	39,768	19,594	14,106	15,563	25,656
Net cash used in investing activities	(55,502)	(70,433)	(33,505)	(25,592)	(15,585)
Net cash provided by (used in) financing activities	26,363	53,886	15,506	(730)	(3,938)
Capital expenditures (5)	72,395	74,418	35,593	10,648	10,034
CONSOLIDATED BALANCE SHEET DATA:					
Cash and cash equivalents	\$ 21,121	\$ 10,493	\$ 7,446	\$ 11,338	\$ 22,098
Total assets	393,768	313,244	238,544	213,463	190,785
Long-term debt, net	181,354	126,676	64,896	80,203	66,139
Stockholders' equity	149,763	132,301	123,611	90,008	87,270

25

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Prior to fiscal 1995 the Company's operations were substantially limited to those of Harveys Resort on the south shore of Lake Tahoe, Nevada. During fiscal 1993, the Company began investing in projects designed to expand the Company's operations into new and diverse markets. On December 2, 1994, the first of the expansion projects, Harveys Wagon Wheel opened in Central City, Colorado. On March 9, 1995, the Hard Rock Hotel and Casino opened in Las Vegas, Nevada. On January 1, 1996 the riverboat casino portion of Harveys Casino Hotel opened for business in Council Bluffs, Iowa and on May 24, 1996 the adjacent land-based hotel, food and beverage facilities and convention center opened.

On April 30, 1996, the Company acquired the 30% minority interest in Harveys Wagon Wheel Casino Limited Liability Company ("HWW"). As a result of the acquisition, Harveys Wagon Wheel and HWW became wholly owned by the Company. The accounts of Harveys Wagon Wheel and HWW are consolidated with those of the Company. All significant intercompany transactions and accounts are eliminated in consolidation.

The Hard Rock Hotel and Casino is owned by HRHC, of which the Company,

through its wholly-owned subsidiary, HLVMC, owns 40% of the equity interests. HLVMC manages the operations of the Hard Rock Hotel and Casino pursuant to the HRHC Management Agreement and receives management fees that are included in the Company's consolidated revenues. The investment in HRHC is accounted for on the equity method.

Harveys Casino Hotel, which opened in 1996, is wholly owned and the accounts of HMC are consolidated with those of the Company. All significant intercompany transactions and accounts are eliminated in consolidation.

The changes in the operating results for fiscal 1996 as compared to fiscal 1995 were primarily the result of the opening of Harveys Casino Hotel in fiscal 1996. The changes in the Company's financial condition, liquidity and capital resources, as discussed below, were primarily attributable to the Company's expansion efforts, the acquisition of the minority interests in HWW, the acquisition of notes payable by HWW and issuance of senior subordinated notes pursuant to an underwritten public offering.

Notes to Selected Consolidated Financial Data:

- (1) Net of amounts capitalized and interest income.
- (2) For fiscal 1992, net income includes approximately \$1.6 million of nonrecurring income items (approximately \$1.1 million net of tax).
- (3) Figures give effect to the 2,385-for-one split of the Company's common stock that occurred in connection with the initial public offering in February 1994 and the grant of 196,633 shares under certain of the Company's benefit plans.
- (4) EBITDA (operating income plus depreciation and amortization) should not be construed as an indicator of the Company's operating performance, or as an alternative to cash flows from operating activities as a measure of liquidity. The Company has presented EBITDA solely as supplemental disclosure because the Company believes that it enhances the understanding of the financial performance of companies with substantial depreciation and amortization. For fiscal 1993, EBITDA has been adjusted for approximately \$1.8 million of nonrecurring compensation charges, for fiscal 1996 and fiscal 1995, EBITDA has been adjusted for approximately \$4.1 million and \$2.1 million of pre-opening expenses, respectively, and for fiscal 1995 and fiscal 1994, EBITDA has been adjusted for approximately \$2.2 million and \$371,000, respectively, of life insurance benefits.
- (5) Of amounts shown, approximately \$7.2 million in fiscal 1996, \$4.6 million in fiscal 1995, \$4.4 million in fiscal 1994, \$6.5 million in fiscal 1993 and \$2.8 million in fiscal 1992 related to recurring capital expenditures for maintenance of the current facilities.

<TABLE>
<CAPTION>
RESULTS OF OPERATIONS

	Years Ended November 30,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Net Revenues			
Harveys Resort	\$ 130,535	\$ 130,615	\$ 128,286
Harveys Wagon Wheel	43,128	40,911	-
Harveys Casino Hotel (1)	69,063	-	-
Harveys Las Vegas Management Co.(2)	5,023	1,669	-
Corporate and Development (3)	-	5	-
Total Net Revenues	\$ 247,749	\$ 173,200	\$ 128,286
Operating Income (Loss)			
Harveys Resort(3)	\$ 23,585	\$ 21,575	\$ 18,570
Harveys Wagon Wheel(4)	8,652	5,031	(156)
Harveys Casino Hotel (1)	8,016	-	-
Harveys Las Vegas Management Co.(2)	4,800	1,469	-
Corporate and Development (3)	(11,032)	(9,721)	(8,032)
Total Operating Income	\$ 34,021	\$ 18,354	\$ 10,382
EBITDA(5)			
Harveys Resort	\$ 32,127	\$ 30,886	\$ 28,616
Harveys Wagon Wheel	11,564	10,305	(126)
Harveys Casino Hotel (1)	16,849	-	-
Harveys Las Vegas Management Co.	5,021	1,635	-
Corporate and Development (3)	(10,959)	(7,746)	(8,032)
Total EBITDA	\$ 54,602	\$ 35,080	\$ 20,458

- (1) The riverboat casino portion of Harveys Casino Hotel commenced casino operations on January 1, 1996 and the land-based hotel, food and beverage facilities and convention center opened on May 24, 1996. Operating income for fiscal year 1996 includes approximately \$4.1 million of pre-opening expenses.
- (2) Net revenues and operating income for HLVMC, the wholly-owned subsidiary of the Company that provides management services to the Hard Rock Hotel and Casino, consist of fees earned by such entity pursuant to the terms of the HRHC Management Agreement and the 40% equity interest in the income or loss of the Hard Rock Hotel and Casino.
- (3) Harveys Resort is a revenue-generating property owned by the Company. The operating results relative to corporate and development expenses have been excluded from those of Harveys Resort and presented under "Corporate and Development" in the table above. The Company believes the above presentation may be useful in evaluating the financial performance of Harveys Resort.
- (4) For fiscal 1995, includes approximately \$2.1 million of pre-opening expenses.
- (5) EBITDA (operating income plus depreciation and amortization) should not be construed as an indicator of the Company's operating performance, or as an alternative to cash flows from operating activities as a measure of liquidity. The Company has presented EBITDA solely as supplemental disclosure because the Company believes that it enhances the understanding of the financial performance of companies with substantial depreciation and amortization. For fiscal 1995 and 1994, Harveys Resort's EBITDA includes approximately \$271,000 and \$371,000, respectively, of life insurance benefits. For fiscal 1995, Harveys Wagon Wheel's EBITDA excludes approximately \$2.1 million of pre-opening expenses. For fiscal 1995, EBITDA for Corporate and Development includes approximately \$2.0 million of life insurance benefits. For fiscal 1996, Harveys Casino Hotel's EBITDA excludes approximately \$4.1 million of pre-opening expenses.

FISCAL YEAR ENDED NOVEMBER 30, 1996 COMPARED TO FISCAL YEAR ENDED NOVEMBER 30, 1995

The Company's net revenues for fiscal 1996 were \$247.7 million, an increase of \$74.5 million, or 43.0%, from the \$173.2 million recorded in fiscal 1995. Of the increase, \$69.1 million, or 92.6%, was attributable to the first year of operations of Harveys Casino Hotel in Council Bluffs. Approximately \$3.4 million of the net revenue increase was attributable to an increase in the combination of the management fees earned for the management of the Hard Rock Hotel and Casino in Las Vegas and the Company's 40% equity interest in the income of HRHC. The balance of the increase in net revenues was provided by operations of Harveys Wagon Wheel.

CASINO. Fiscal 1996 casino revenues increased \$65.0 million, up 53.6% from fiscal 1995 casino revenues of \$121.4 million, to \$186.4 million. The first year operations of Harveys Casino Hotel provided \$62.6 million of the increase. While the Lake Tahoe operations accounted for \$84.4 million, or 45.3% of consolidated casino revenues, the contribution to casino revenues from the northern Nevada property declined by 1.6%. The contribution from the Company's casino operations in the Colorado market improved by \$3.7 million, or 10.5%, over the prior year. Casino costs and expenses also increased with the opening of Harveys Casino Hotel. While the Council Bluffs property accounted for 96.3% of the casino revenue growth, it also accounted for 86.8% of the growth in casino costs and expenses, up in total from \$57.5 million in fiscal 1995 to \$86.7 million in fiscal 1996.

LODGING. Lodging revenues of \$28.7 million for fiscal 1996 were up \$3.2 million, or 12.7%, from fiscal 1995. Revenues from the 251-room Council Bluffs hotel operation provided nearly \$2.3 million of the increase with an occupancy rate of 80.0% from its opening in late May 1996 to the end of fiscal 1996. Management's decision to price the Council Bluffs hotel rooms at an attractive rate was successful in attracting initial customers to the property. The 740-room hotel at the Lake Tahoe facility provided the balance of the lodging revenue increase due to an improvement in occupancy from 76.9% in fiscal 1995 to 80.5% in fiscal 1996. Lodging profits were up \$1.0 million, or 6.4%. However, as expected, due to the promotional pricing in Council Bluffs, total lodging costs and expenses increased at a higher rate than lodging revenue growth. The 740-room Lake Tahoe hotel operates at a greater economy of scale than the 251-room Council Bluffs hotel or the 118-room Central City hotel and commands a higher average daily rate while spreading necessary costs over a more extensive room base.

FOOD AND BEVERAGE. Food and beverage revenues improved by 17.3%, up \$5.9 million to \$39.9 million. Approximately \$6.5 million was provided by the new operations in Council Bluffs where the decision had been made to attractively price the food service to entice local customers to the property. The Lake Tahoe property experienced a 5.3% decline in the number of meals served but recognized an increase in the average guest check which resulted in level food revenues at the property. Beverage revenues at Lake Tahoe improved by approximately \$425,000. Food and beverage revenues at the Central City property declined approximately \$1.1 million, primarily as the result of outsourcing the food service during the second half of fiscal 1996. Food and beverage profits were up \$1.4 million, or 10.0%. However, as expected, food and beverage profit margins

28

declined due to promotional pricing and the attendant higher cost-of-goods-sold percentage experienced in Council Bluffs.

OTHER REVENUES. Other revenues amounted to \$11.4 million in fiscal 1996, including \$5.0 million in management fees and a 40% equity interest in the income from the Hard Rock Hotel and Casino. Other revenues in fiscal 1995 amounted to \$8.0 million, including \$1.7 million attributable to the Hard Rock Hotel and Casino, net of the Company's pro rata share of pre-opening expenses. Other expenses remained relatively unchanged in absolute dollars.

SG&A, DEPRECIATION AND AMORTIZATION, NET INTEREST EXPENSE. Consolidated selling, general and administrative expenses increased 33.5%, up \$16.9 million to \$67.1 million for fiscal 1996. Approximately \$17.7 million was attributable to the new operations in Council Bluffs. The offsetting savings of approximately \$850,000 represented a 5.1% decrease from comparable expenses in fiscal 1995, primarily as a result of reduced marketing costs at the Lake Tahoe property. Depreciation and amortization increased \$4.1 million from fiscal 1995 to fiscal 1996. The 1996 depreciation charges associated with Harveys' Council Bluffs property amounted to \$4.7 million. Depreciation of all other operations decreased by nearly \$585,000 because of the value of fully depreciated and retired assets in fiscal 1996 exceeding the value of depreciable assets acquired. Interest expense, net of interest capitalized, increased \$6.2 million, or 78.3%, from fiscal 1995 to fiscal 1996. This increase was attributable to Harveys Casino Hotel financing and the issuance of senior subordinated notes. In fiscal 1995, \$1.1 million of interest was capitalized, primarily in conjunction with the construction of Harveys Casino Hotel in Council Bluffs. In fiscal 1996, an additional \$2.6 million was capitalized in conjunction with that construction.

PRE-OPENING EXPENSES. As a result of the opening of Harveys Casino Hotel in fiscal 1996, the Company recognized \$4.1 million of pre-opening expenses. These charges had previously been incurred in connection with the development of that property and deferred until the facility opened. Approximately \$2.1 million of such costs had been deferred through fiscal 1995. In fiscal 1995 the Company recognized approximately \$2.1 million of pre-opening expenses with the opening of Harveys Wagon Wheel.

EXTRAORDINARY ITEM. In May 1996, the Company expensed the remaining unamortized debt issuance costs related to a \$10 million note payable to a private investor that was retired before maturity. In June 1996, the Company applied a portion of the net proceeds from the sale of the Company's 10 5/8% Senior Subordinated Notes due 2006 (the "Senior Subordinated Notes") to retire the approximately \$19 million balance of the note payable under a riverboat financing agreement and expensed the unamortized debt issuance cost related to that agreement. In July 1996, the Company retired subordinated notes issued in exchange for notes payable by HWW and recognized expense as the result of writing off the related debt issuance costs. These items are reflected in operating results as an extraordinary loss of approximately \$522,000, net of income tax benefit.

29

INCOME TAX PROVISION. The income tax provision for fiscal 1996 was unfavorably affected by the state income taxes applicable to the expansion of the Company's operations outside of the state of Nevada.

As a result of the above, net income for fiscal 1996 improved to \$11.3 million from \$9.3 million in fiscal 1995.

FISCAL YEAR ENDED NOVEMBER 30, 1995 COMPARED TO FISCAL YEAR ENDED NOVEMBER 30, 1994

The Company's net revenues for fiscal 1995 were \$173.2 million, an increase of \$44.9 million, or 35.0%, from the \$128.3 million recorded in fiscal 1994. Of the increase, \$40.9 million, or 91.1% of the total increase, was attributable to

the first year of operations of Harveys Wagon Wheel, which opened in Central City, Colorado on December 2, 1994. Approximately \$1.7 million of the revenue increase was attributable to management fees earned for the management of the Hard Rock Hotel and Casino net of the Company's \$0.7 million share of the loss incurred by the Hard Rock Hotel and Casino. The balance of the increase in revenues was provided by the Company's Lake Tahoe operations.

CASINO. Fiscal 1995 casino revenues increased \$37.4 million, up 44.5% from fiscal 1994 casino revenues of \$84.0 million, to \$121.4 million. The first year operations of Harveys Wagon Wheel provided \$35.6 million of the increase. The Lake Tahoe operations accounted for \$85.8 million, or 70.7% of consolidated casino revenues. The contribution from the Company's casino operations in this mature Nevada market improved by \$1.8 million, or 2.1% over the prior year. Casino costs and expenses increased with the opening of Harveys Wagon Wheel. While the Colorado property accounted for 95.3% of the casino revenue growth, it also accounted for 94.6% of the growth in casino costs and expenses, up from \$41.0 million in fiscal 1994 to \$57.5 million in fiscal 1995.

LODGING. Lodging revenues of \$25.5 million for fiscal 1995 were up \$3.6 million, or 16.6%, from fiscal 1994. Revenues from the 118-room Harveys Wagon Wheel hotel operation provided nearly \$2.5 million of the increase with an occupancy rate of 82.0%. The 740-room hotel at the Lake Tahoe facility provided the balance of the lodging revenue increase due to an increase in occupancy from 71.8 % in fiscal 1994 to 76.9% in fiscal 1995. Total lodging costs and expenses increased at a higher rate than lodging revenue growth. The 740-room Lake Tahoe hotel operates at a greater economy of scale than the 118-room Central City hotel and commands a higher average daily rate while spreading necessary costs over a more extensive room base. In addition, the unique parking situation in Central City (100% on-site valet parking) requires a proportionately larger hotel valet parking staff. All of these factors contributed to a decline in lodging profits as a percentage of lodging revenues, from 66.0% in fiscal 1994 to 62.9% in fiscal 1995.

FOOD AND BEVERAGE. Food and beverage revenues improved by 14.1%, up \$4.2 million to \$34.0 million. Just over \$3.9 million of the increase was provided by the new operations in Central City. The Lake Tahoe property was basically flat in the number of meals served but did recognize

30

a slight improvement in the average guest check to account for the balance of the revenue increase. Food and beverage profit margins declined slightly due to lower pricing and the attendant higher cost-of-goods-sold percentage experienced in Central City.

OTHER. Other revenues amounted to \$8.0 million in fiscal 1995, including \$1.7 million in fees earned for the management of the Hard Rock Hotel and Casino and 40% equity interest in the loss since its opening in March 1995. Other revenues in fiscal 1994, solely attributable to Lake Tahoe operations, amounted to \$5.6 million. Other expenses remained relatively level in absolute dollars, up just \$287,000.

SG&A, DEPRECIATION AND AMORTIZATION, NET INTEREST EXPENSE. Consolidated selling, general and administrative expenses increased 26.3%, up \$10.5 million to \$50.3 million for fiscal 1995. Approximately \$9.6 million of the increase was attributable to the new operation in Central City. The remaining increase of \$728,000 represented a 1.8% increase over comparable expenses in fiscal 1994. Depreciation and amortization increased \$2.6 million from fiscal 1994 to fiscal 1995. The 1995 charges associated with Harveys Wagon Wheel amounted to \$3.1 million. All other operations recorded a decrease of nearly \$498,000 as a result of the value of fully depreciated and retired assets in fiscal 1995 exceeding the value of depreciable assets acquired. Interest expense, net of interest capitalized, increased \$5.3 million, or 150%, from fiscal 1994 to fiscal 1995. This increase was attributable to Harveys Wagon Wheel financing, including equipment financing, higher consolidated debt levels and higher interest rates. In fiscal 1994, \$1.9 million of interest was capitalized, primarily in conjunction with the construction of Harveys Wagon Wheel. In fiscal 1995, \$1.1 million was capitalized in conjunction with the construction of Harveys Casino Hotel in Council Bluffs.

PRE-OPENING EXPENSES. As a result of the opening of Harveys Wagon Wheel in fiscal 1995, the Company recognized \$2.1 million of pre-opening expenses. These charges had previously been incurred in connection with the development of that property and deferred until the facility opened. Additionally, included in management fees and joint venture revenue is the Company's equity interest in the net result of Hard Rock Hotel and Casino's partial year of operations, including the Company's net share of approximately \$4.5 million in pre-opening expenses.

LIFE INSURANCE BENEFITS. The Company maintains life insurance policies on key employees and had owned a life insurance policy on the life of Beverlee A. Ledbetter, who, until her death in September of 1995, was the holder of the largest block of the Company's common stock. In fiscal 1994, the Company

recognized approximately \$371,000 in proceeds from one of the key employee policies and, in fiscal 1995, recognized an additional \$271,000 from another such policy. Upon Beverlee A. Ledbetter's death in fiscal 1995, the Company recognized approximately \$2.0 million in life insurance benefits.

INCOME TAX PROVISION. The income tax provision for fiscal 1995 was favorably affected by nontaxable life insurance benefits.

31

As a result of the above, net income for fiscal 1995 improved to \$9.3 million from \$5.1 million in fiscal 1994.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity and capital resources to date have been cash flow from operations, borrowings under various credit arrangements, net proceeds of approximately \$27.8 million from an initial public offering of common stock in fiscal 1994 and, in fiscal 1996, the net proceeds of \$145.5 million, net of underwriting discounts and commissions, from the Company's Senior Subordinated Notes offering.

At November 30, 1996, the Company had approximately \$21.1 million of cash and cash equivalents and a maximum of approximately \$82.1 million available under a reducing revolving credit agreement with a consortium of banks (the "Credit Facility"), subject to compliance with certain financial covenants. Cash flow from operations for fiscal year 1996 was approximately \$39.8 million compared to \$19.6 million for fiscal year 1995.

During fiscal year 1996, the Company completed the construction of Harveys Casino Hotel, expending \$36.8 million in cash and financing the acquisition of the riverboat and equipment through a \$20 million riverboat financing agreement. Additionally, the Company made cash payments for dividends of approximately \$1.7 million during the year and incurred additional cash expenditures of approximately \$11.6 million in connection with capital improvements and replacements at the operating properties and corporate offices.

On April 30, 1996, the Company paid the holders of approximately \$11.9 million of 12% subordinated notes payable by HWW (the "HWW Notes") \$6 million in cash and issued an aggregate of \$8 million in subordinated notes in exchange for all of the outstanding HWW Notes and unpaid interest accrued thereon (the "Debt Exchange"). On such date, the Company also exchanged 382,500 shares of the Company's common stock for (a) 30% of the equity interests of HWW, (b) the rights to an approximately \$3 million priority return from HWW, and (c) an option to acquire an additional 5% of the equity interests in HWW (the "Equity Exchange").

On May 22, 1996, the Company completed its public debt offering of \$150 million of Senior Subordinated Notes. The proceeds, \$145.5 million net of underwriting discounts and commissions, were used to (a) repay a \$10 million note payable to a private investor, (b) retire the \$19 million principal balance of the note payable under a riverboat financing agreement, (c) redeem, for \$7.8 million plus accrued and unpaid interest, the \$8 million aggregate principal amount of subordinated notes issued in the Debt Exchange, and (d) reduce the outstanding principal balance under the Credit Facility.

In May 1996, in preparation for the Senior Subordinated Notes offering, the Company negotiated a release of its guarantee of the amount outstanding under HRHC's reducing revolving

32

credit facility. The Company paid a fee of approximately \$385,000 to the banks participating in the reducing revolving credit facility in connection with the release.

During fiscal 1995, the Company's principal uses of funds were (a) advances and investments of approximately \$49.6 million to fund the development and construction of Harveys Casino Hotel in Council Bluffs, (b) investment of an additional \$4.0 million in HRHC, (c) advances of an additional \$7.3 million to complete the funding for the construction of Harveys Wagon Wheel, (d) dividend payments of \$1.5 million, and (e) pursuit of additional expansion opportunities.

During fiscal 1994, the Company's principal uses of funds were (a) an advance of \$23.5 million to fund the development and construction of Harveys Wagon Wheel, (b) the \$11.3 million net reduction of long-term debt (c) dividend payments of \$1.4 million, (d) the investment of an additional \$806,000 in HRHC, (e) expansion and renovation of the Lake Tahoe facility, and (f) pursuit of additional expansion opportunities.

The Company expects that its primary capital needs for fiscal 1997 will include (a) approximately \$2.8 million for the payment of construction retentions relative to the hotel and convention center portion of Harveys Casino Hotel in Council Bluffs, (b) approximately \$8.6 million for the completion of construction of a parking garage adjacent to Harveys Wagon Wheel, (c) approximately \$17.0 million of capital expenditures at the Company's current facilities, including approximately \$10.0 million at Harveys Resort to enhance the amenities offered to customers and to position the Company to benefit from ongoing regional redevelopment activity in the South Lake Tahoe market and approximately \$3.9 million at Harveys Casino Hotel to enhance the amenities offered to customers, and (d) dividend payments and debt service.

As a result of the Debt Exchange, the Equity Exchange, the Senior Subordinated Notes offering and the use of proceeds therefrom, and borrowings to fund capital expenditures, the Company's long-term debt at November 30, 1996 was approximately \$181.4 million compared to approximately \$126.7 million at November 30, 1995.

The Company's debt, including the current portion of approximately \$2.8 million, consisted of the \$150 million in Senior Subordinated Notes, \$30.5 million outstanding under the Credit Facility, \$3.4 million outstanding under HWW's equipment financing notes payable to a financing company and approximately \$239,000 of other debt.

The equipment financing agreement entered into by HWW allowed for the financing of up to \$7.5 million of gaming and associated equipment. Under the terms of the agreement, repayments of principal and interest are due in 36 monthly installments. The equipment financing agreement is secured by all of the gaming and associated equipment financed under the agreement. The obligation under the financing agreement is guaranteed by the Company.

Until October 1996, the maximum available principal balance under the Credit Facility was \$150 million, reduced by outstanding borrowings and letter of credit exposure. At November 30,

33

1995 the outstanding borrowings under the Credit Facility amounted to \$115 million and letters of credit exposure amounted to approximately \$1.7 million leaving \$33.3 million available. In May 1996, the Company applied \$127.5 million in net proceeds of the public offering of the Senior Subordinated Notes to repay the then outstanding principal balance of the Credit Facility.

In September 1996, the Credit Facility was amended. Among other things, the amendment (a) extended the maturity date from August 16, 2000 to February 15, 2002, (b) extended the due dates of required repayments of principal, (c) modified the terms of certain financial covenants, and (d) reduced the maximum available principal balance to \$115 million.

At November 30, 1996 the outstanding borrowings under the Credit Facility amounted to \$30.5 million, the letters of credit exposure had increased to \$2.4 million and the maximum amount available was approximately \$82.1 million, subject to compliance with financial covenants.

There are no required repayments of principal under the Credit Facility in fiscal 1997. In 1998, required repayments of principal, assuming maximum principal amounts are outstanding, total \$11.5 million. The year-end maximum principal balance outstanding under the Credit Facility reduces to \$103.5 million in 1998, \$92 million in 1999, \$74.75 million in 2000 and \$57.5 million in 2001. The Company is required to make payments reducing the principal balance outstanding under the Credit Facility to the applicable maximum permitted principal balance on October 1 of each of 1998, 1999, 2000 and 2001. The Credit Facility is secured by all of the real and personal property of (a) Harveys Resort, (b) HIMC, and (c) HWW, as well as all of the contracts the Company has entered into in connection with its ownership and operation of (i) Harveys Resort, (ii) HIMC, and (iii) HWW. Additional security is provided by a pledge of the stock of the following subsidiaries of the Company: HLVMC, HCCMC, HIMC and Reno Projects, Inc., a Nevada corporation, which is wholly owned by the Company. Interest on borrowings outstanding under the Credit Facility is payable, at the Company's option, at either the LIBOR or the prime rate of Wells Fargo Bank, National Association, formerly First Interstate Bank of Nevada, N. A. ("Wells Fargo"), in each case plus an applicable margin. The applicable margin is determined with reference to the Company's funded debt to EBITDA ratio. The applicable margins as of November 30, 1996 were 2.25% with respect to the LIBOR based interest rate, and 0.75%, with respect to the Wells Fargo prime rate based interest rate.

The Credit Facility contains certain financial and other covenants. The financial covenants prevent the Company from making any investments in or advances to affiliates without the prior written consent of the lenders under the Credit Facility. The covenants allow the declaration and payment of dividends without the prior written consent of the lenders if certain fixed charge coverage ratios are maintained. The covenants require the Company to

maintain certain set standards with respect to (a) minimum tangible net worth, (b) fixed charge coverage ratios, and (c) minimum annual capital expenditures. The financial covenants also limit the Company's ability to incur additional indebtedness. The Company was in compliance with these covenants at November 30, 1996.

34

The Company pays Wells Fargo an annual agency fee of \$100,000 for its services as agent of the lenders under the Credit Facility and an annual non-usage fee of 3/8 of one percent to 1/2 of one percent of the average daily amount of the unused portions of funds committed under the Credit Facility, depending upon the applicable interest rate margin.

The Senior Subordinated Notes are governed by an indenture (the "Indenture") and are general unsecured obligations of the Company, subordinated in right of payment to all existing and future Senior Debt of the Company (as defined in the Indenture). The Senior Subordinated Notes are guaranteed by each of the Restricted Subsidiaries of the Company (as defined in the Indenture). Each guarantee is a general unsecured obligation of the guaranteeing Restricted Subsidiary, subordinated in right of payment to all existing and future Senior Debt of each guaranteeing Restricted Subsidiary. At November 30, 1996, the guaranteeing Restricted Subsidiaries were HCCMC, HWW, HIMC and HLVMC.

Interest on the Senior Subordinated Notes is payable semi-annually on June 1 and December 1 of each year, commencing December 1, 1996. The Senior Subordinated Notes will mature on June 1, 2006. The Senior Subordinated Notes are redeemable at the option of the Company, in whole or in part, at any time on or after June 1, 2001 at prices ranging from 105.313% of the principal amount plus accrued and unpaid interest, to 100% of the principal amount plus accrued and unpaid interest beginning June 1, 2004 and thereafter. Upon a Change of Control (as defined in the Indenture) each holder of the Senior Subordinated Notes will have the right to require the Company to repurchase such holder's Senior Subordinated Notes at 101% of the principal amount plus accrued and unpaid interest to the repurchase date.

The Indenture contains certain covenants that impose limitation on, among other things (a) the incurrence of additional indebtedness by the Company or any Restricted Subsidiary, (b) the payment of dividends, (c) the repurchase of capital stock and the making of certain other Restricted Payments and Restricted Investments (as defined in the Indenture) by the Company or any Restricted Subsidiary, (d) mergers, consolidations and sales of assets by the Company or any Restricted Subsidiary, (e) the creation or incurrence of liens on the assets of the Company or any Restricted Subsidiary, and (f) transactions by the Company or any of its subsidiaries with Affiliates (as defined in the Indenture). These limitations are subject to a number of qualifications and exceptions as described in the Indenture. The Company was in compliance with these covenants at November 30, 1996.

The Company believes that its existing cash and cash equivalents, cash flows from operations and its borrowing capacity under the Credit Facility are sufficient to meet the cash requirements of its existing operations for the next twelve months, including (a) final payments for construction of the Council Bluffs project, (b) capital improvements and replacements at the operating properties, (c) the construction of a parking garage adjacent to Harveys Wagon Wheel, and (d) dividend and debt service requirements. The existing sources of cash also provide the Company some flexibility in potential expansion of current operations or in its pursuit of new gaming opportunities in existing and emerging jurisdictions. The realization of such expansion opportunities may require capital

35

investments in excess of current resources and additional financing may be required. The Company believes that additional funds could be obtained through additional debt or equity financing. However, no assurance can be made that such financing would be available at terms acceptable to the Company, if at all.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary data are as set forth in the "INDEX TO CONSOLIDATED FINANCIAL STATEMENTS" on page 39.

ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

For information required under Items 10, 11, 12 and 13 see the Company's definitive Proxy Statement relating to the Annual Meeting of Stockholders to be

held on May 1, 1997, which sections are hereby incorporated by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

(1) Financial Statements.

The consolidated financial statements of the Company are set forth in the "INDEX TO FINANCIAL STATEMENTS" on page 39.

(2) Financial Statement Schedules.

Schedules have been omitted because they are not applicable, are not required or because the information is included elsewhere in the Consolidated Financial Statements or the notes thereto.

(3) Exhibits are set forth in the "EXHIBIT INDEX" on page 66.

(b) Reports on Form 8-K filed during the last quarter of fiscal 1996.

None

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This document includes various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Sections 21E of the Securities Exchange Act of 1934, as amended, which represent the Company's expectations or beliefs concerning future events. Statements containing expressions such as "believes"," anticipates" or "expects" used in the Company's press releases and periodic reports on Forms 10-K and 10-Q filed with the Securities and Exchange Commission are intended to identify forward-looking statements. All forward-looking statements involve risks and uncertainties. Although the Company believes its expectations are based upon reasonable assumptions within the bounds of its knowledge of its business and operations, there can be no assurances that actual results will not materially differ from expected results. The Company cautions that these and similar statements included in this report and in previously filed periodic reports, including reports filed on Forms 10-K and 10-Q, are further qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements. Such factors include, without limitation, the following: increased competition in existing markets or the opening of new gaming jurisdictions; a decline in the public acceptance of gaming; the limitation, conditioning or suspension of any of the Company's gaming licenses; increases in or new taxes imposed on gaming revenues or gaming devices; a finding of unsuitability by regulatory authorities with respect to the Company's officers, directors or key employees; loss or retirement of key executives; significant increases in fuel or transportation prices; adverse economic conditions in the Company's key markets; severe and unusual weather in the Company's key markets; adverse results of significant litigation matters. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date thereof. The company undertakes no obligation to publicly release any revisions to such forward-looking statements to reflect events or circumstances after the date hereof.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this 24th day of February, 1997.

HARVEYS CASINO RESORTS

By: /s/ Charles W. Scharer

Charles W. Scharer
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, as

amended, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

<TABLE>

<CAPTION>

SIGNATURE -----	TITLE -----	DATE ----
<S> /s/ Thomas M. Yturbide ----- Thomas M. Yturbide	<C> Chairman of the Board and Director	<C> February 24, 1997
/s/ William B. Ledbetter ----- William B. Ledbetter	Vice Chairman of the Board and Director	February 24, 1997
/s/ Charles W. Scharer ----- Charles W. Scharer	President, Chief Executive Officer and Director (Principal Executive Officer)	February 24, 1997
/s/ John J. McLaughlin ----- John J. McLaughlin	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	February 24, 1997
/s/ John P. Hewitt ----- John P. Hewitt	Corporate Controller (Principal Accounting Officer)	February 24, 1997
/s/ Richard F. Kudrna, Sr. ----- Richard F. Kudrna, Sr.	Director	February 24, 1997
/s/ Jessica L. Ledbetter ----- Jessica L. Ledbetter	Director	February 24, 1997
/s/ Kirk B. Ledbetter ----- Kirk B. Ledbetter	Director	February 24, 1997
/s/ Luther Mack ----- Luther Mack	Director	February 24, 1997
/s/ Franklin K. Rahbeck ----- Franklin K. Rahbeck	Director	February 24, 1997
/s/ Eugene R. White ----- Eugene R. White	Director	February 24, 1997

</TABLE>

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<TABLE>

<CAPTION>

<S>	<C>
Report of Deloitte & Touche LLP, Independent Auditors' Report	40
Report of Grant Thornton LLP, Independent Auditors' Report	41
Consolidated Balance Sheets as of November 30, 1996 and 1995	42
Consolidated Statements of Income for the Years Ended November 30, 1996, 1995 and 1994	43
Consolidated Statements of Stockholders' Equity for the Years Ended November 30, 1996, 1995 and 1994	44
Consolidated Statements of Cash Flows for the Years Ended November 30, 1996, 1995 and 1994	45
Notes to Consolidated Financial Statements	46

</TABLE>

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Harveys Casino Resorts:

We have audited the accompanying consolidated balance sheet of Harveys Casino

Resorts and subsidiaries as of November 30, 1996, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at November 30, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Reno, Nevada
January 9, 1997

40

INDEPENDENT AUDITORS' REPORT

Board of Directors
Harveys Casino Resorts

We have audited the accompanying consolidated balance sheet of Harveys Casino Resorts as of November 30, 1995 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the two years in the period ended November 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Harveys Casino Resorts as of November 30, 1995, and the consolidated results of its operations and its consolidated cash flows for each of the two years in the period ended November 30, 1995 in conformity with generally accepted accounting principles.

GRANT THORNTON LLP

Reno, Nevada
January 12, 1996

41

HARVEYS CASINO RESORTS
CONSOLIDATED BALANCE SHEETS
ASSETS

<TABLE>
<CAPTION>

	November 30, -----	
	1996 ----	1995 ----
<S>	<C>	<C>
Current assets		
Cash and cash equivalents	\$ 21,121,376	\$ 10,492,817
Marketable securities	469,509	2,090,896
Accounts receivable, net of allowances for doubtful accounts of \$288,093 and \$170,213.	8,760,106	7,739,816
Inventories	3,320,897	2,689,836
Prepaid expenses.	3,992,022	5,380,902

Deferred income taxes	3,483,912	2,479,436
Total current assets	41,147,822	30,873,703
Property and equipment		
Land	20,670,975	18,411,985
Buildings and improvements	247,968,009	178,355,013
Leasehold improvements	20,802,147	20,798,795
Equipment, furniture and fixtures	135,535,533	85,720,036
Construction in progress	2,908,129	48,425,315
	427,884,793	351,711,144
Less: Accumulated depreciation	(112,976,595)	(100,934,188)
	314,908,198	250,776,956
Notes receivable-related parties	2,071,163	2,064,771
Notes receivable-other	2,796,715	2,796,715
Other assets	17,606,509	12,993,496
Investment in unconsolidated affiliate	15,237,480	13,738,103
Total assets	\$ 393,767,887	\$ 313,243,744

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities		
Current portion of long-term debt-banks and others	\$ 2,752,799	\$ 2,500,153
Current portion of long-term debt-related parties	-	3,967,167
Accounts and contracts payable	9,542,590	4,676,008
Accrued expenses	17,139,810	13,014,764
Total current liabilities	29,435,199	24,158,092
Long-term debt, net of current portion		
Banks and others	181,353,658	118,741,457
Related parties	-	7,934,333
Deferred income taxes	19,339,319	15,895,084
Minority interest in subsidiary	-	1,757,659
Other liabilities	13,876,639	12,456,033
Total liabilities	244,004,815	180,942,658
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$.01 par value; 5,000,000 shares authorized; none issued	-	-
Common stock, \$.01 par value; 30,000,000 shares authorized; issued 9,818,322 and 9,402,657	98,183	94,026
Additional paid-in capital	38,659,470	31,524,152
Treasury stock, at cost; 10,036 shares and 5,350 shares	(151,276)	(79,733)
Deferred compensation	(425,187)	(1,196,828)
Retained earnings	111,606,913	102,063,739
Net unrealized loss on marketable securities	(25,031)	(104,270)
Total stockholders' equity	149,763,072	132,301,086
Total liabilities and stockholders' equity	\$ 393,767,887	\$ 313,243,744

</TABLE>

The accompanying notes are an integral part of these statements.

HARVEYS CASINO RESORTS
CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	Years Ended November 30,		
	1996	1995	1994
	----	----	----
<S>	<C>	<C>	<C>
Revenues			
Casino	\$ 186,368,776	\$ 121,368,981	\$ 83,991,219
Lodging	28,745,686	25,499,036	21,870,098

Food and beverage.	39,851,616	33,969,834	29,768,248
Other.	6,402,770	6,287,770	5,598,637
Management fees and joint venture.	5,023,381	1,668,934	-
Less: Casino promotional allowances.	(18,643,497)	(15,593,778)	(12,942,596)
Total net revenues.	247,748,732	173,200,031	128,285,606
Costs and expenses			
Casino	86,732,228	57,519,779	40,998,741
Lodging.	11,677,166	9,458,539	7,428,639
Food and beverage.	24,796,962	20,280,268	17,401,668
Other operating.	2,812,983	2,837,956	2,557,218
Selling, general and administrative.	67,126,744	50,269,869	39,813,351
Depreciation and amortization.	16,482,145	12,332,956	9,703,705
Pre-opening expenses	4,099,490	2,146,667	-
Total costs and expenses.	213,727,718	154,846,034	117,903,322
Operating income	34,021,014	18,353,997	10,382,284
Other income (expense)			
Interest income.	903,975	950,525	679,940
Interest expense	(15,098,509)	(8,910,714)	(3,566,055)
Life insurance benefits.	-	2,245,520	371,449
Other, net	(221,048)	605,933	(229,703)
Total other income (expense).	(14,415,582)	(5,108,736)	(2,744,369)
Income before income taxes and extraordinary item.	19,605,432	13,245,261	7,637,915
Income tax provision	(7,791,497)	(3,900,000)	(2,500,000)
Income before extraordinary item	11,813,935	9,345,261	5,137,915
Loss on early retirement of debt, net of taxes	(521,705)	-	-
Net income	\$ 11,292,230	\$ 9,345,261	\$ 5,137,915
Net income per common share			
Income before extraordinary item	\$ 1.22	\$ 0.99	\$ 0.58
Extraordinary item	(0.06)	-	-
Net income	\$ 1.16	\$ 0.99	\$ 0.58
Weighted average common shares outstanding	9,698,500	9,456,051	8,885,525

</TABLE>

The accompanying notes are an integral part of these statements.

HARVEYS CASINO RESORTS
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Years Ended November 30,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Common Stock			
Balance at beginning of year			
Shares: 9,402,657 in 1996, 9,348,823 in 1995 and 6,902,190 in 1994.	\$ 94,026	\$ 93,488	\$ 69,022
Net proceeds from public stock offering Shares: 2,250,000 in 1994	-	-	22,500
Issuance of restricted stock, Shares: 1,500 in 1996, 50,500 in 1995 and 176,500 in 1994	15	505	1,765
Issuance of employees' stock, Shares: 20,133 in 1994	-	-	201
Issuance of stock in acquisition of minority interest of subsidiary Shares: 382,500 in 1996.	3,825	-	-
Stock options exercised, Shares: 31,665 in 1996 and 3,334 in 1995.	317	33	-
Balance at end of year, Shares 9,818,322 in 1996, 9,405,657 in 1995 and 9,348,823 in 1994	98,183	94,026	93,488
Additional Paid-in Capital			
Balance at beginning of year	31,524,152	30,511,349	-
Net proceeds from public stock offerings	-	-	27,760,453
Issuance of restricted stock	26,798	969,245	2,469,235

Issuance of employees' stock	-	-	281,661
Issuance of stock in acquisition of minority interest of subsidiary, net of issuance costs of \$507,098	6,660,952	-	-
Stock options exercised.	447,568	43,558	-
	<u>38,659,470</u>	<u>31,524,152</u>	<u>30,511,349</u>
Treasury Stock			
Balance at beginning of year	(79,733)	(28,765)	-
Forfeiture of restricted stock	(49,000)	(24,500)	(15,750)
Acquisition of treasury stock.	(22,543)	(26,468)	(13,015)
	<u>(151,276)</u>	<u>(79,733)</u>	<u>(28,765)</u>
Deferred Compensation			
Balance at beginning of year	(1,196,828)	(1,181,719)	-
Issuance of restricted stock	(26,814)	(969,750)	(1,853,250)
Amortization of deferred compensation.	749,455	930,141	655,781
Forfeiture of restricted stock	49,000	24,500	15,750
	<u>(425,187)</u>	<u>(1,196,828)</u>	<u>(1,181,719)</u>
Retained Earnings			
Balance at beginning of year	102,063,739	94,216,595	90,200,350
Net income	11,292,230	9,345,261	5,137,915
Cash dividends declared.	(1,749,056)	(1,498,117)	(1,121,670)
	<u>111,606,913</u>	<u>102,063,739</u>	<u>94,216,595</u>
Net Unrealized Gain (Loss) on Marketable Securities			
Balance at beginning of year	(104,270)	-	-
Recognized loss on marketable securities	-	16,683	-
Net unrealized gain (loss) on marketable securities.	79,239	(120,953)	-
	<u>(25,031)</u>	<u>(104,270)</u>	<u>-</u>
Total Stockholders' Equity	<u>\$149,763,072</u>	<u>\$132,301,086</u>	<u>\$123,610,948</u>

</TABLE>

The accompanying notes are an integral part of these statements.

HARVEYS CASINO RESORTS
CONSOLIDATED STATEMENTS OF CASH FLOWS

<S>	Years Ended November 30,		
	<C> 1996	<C> 1995	<C> 1994
Cash flows from operating activities			
Net income	\$ 11,292,230	\$ 9,345,261	\$ 5,137,915
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	16,482,145	12,332,956	9,703,705
Net loss on disposition of assets	193,481	72,247	63,547
Equity in (income) loss of unconsolidated affiliates	(1,720,710)	731,724	206,604
Net loss on sale of marketable securities	-	16,683	53,975
Amortization of deferred compensation	749,455	930,141	655,781
Amortization of debt issuance costs	1,719,218	331,417	46,504
Minority interest in loss of consolidated subsidiary	(66,755)	(677,008)	(26,408)
Deferred income taxes	2,439,759	352,320	572,422
(Increase) decrease in assets			
Accounts receivable, net	(1,020,290)	(5,111,091)	587,169
Inventories	(750,456)	116,986	(510,725)
Prepaid expenses	1,388,880	(289,594)	(2,600,014)
Other assets	(315,760)	(4,816,950)	(1,078,575)
Increase (decrease) in liabilities			
Accounts and contracts payable	2,897,695	1,014,726	(1,394,086)
Accrued expenses	5,285,369	4,808,098	(1,458,259)
Income taxes payable	-	(259,510)	259,510
Other liabilities	1,193,685	695,705	3,887,352
	<u>39,767,946</u>	<u>19,594,111</u>	<u>14,106,417</u>
Net cash provided by operating activities			
Cash flows from investing activities			
Proceeds from disposition of assets	198,920	220,455	109,660
Capital expenditures	(51,395,297)	(66,897,927)	(32,456,134)

Proceeds from sale of marketable securities	1,833,202	300,000	536,776
Purchase of marketable securities	(132,592)	(159,498)	(172,778)
Advances to related party trust	-	-	(455,275)
Purchase of notes and accrued interest of consolidated subsidiary	(6,000,000)	-	-
Investment in unconsolidated affiliate	-	(4,000,500)	(806,400)
Loan to unconsolidated affiliate	(200,000)	-	-
Advances to employees	-	(184,949)	(491,498)
Proceeds from notes receivable	193,608	289,482	230,749
	-----	-----	-----
Net cash used in investing activities	(55,502,159)	(70,432,937)	(33,504,900)
	-----	-----	-----
Cash flows from financing activities			
Net borrowings under short-term credit agreements	(335,019)	281,099	(37,634)
Proceeds from long-term debt	245,900,000	181,436,932	31,550,000
Principal payments on long-term debt	(210,835,153)	(124,736,101)	(42,881,518)
Dividends paid	(1,749,056)	(1,498,117)	(1,421,670)
Debt issuance costs	(7,043,342)	(1,615,419)	-
Net proceeds from public stock offering	-	-	28,310,123
Stock options exercised	447,885	43,591	-
Acquisition of treasury stock	(22,543)	(26,468)	(13,015)
	-----	-----	-----
Net cash provided by financing activities	26,362,772	53,885,517	15,506,286
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	10,628,559	3,046,691	(3,892,197)
Cash and cash equivalents at beginning of year	10,492,817	7,446,126	11,338,323
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 21,121,376	\$ 10,492,817	\$ 7,446,126
	-----	-----	-----
Supplemental disclosure of cash flows information			
Cash paid for interest, net of amounts capitalized	\$ 15,775,000	\$ 6,602,000	\$ 3,513,000
Cash paid for income taxes	6,068,000	4,600,000	1,250,000
Supplemental schedule of non-cash investing and financing activities			
Property and equipment acquired on contracts and trade payables	22,303,908	7,520,305	3,137,000
Acquisition of minority interest in subsidiary			
Fair value of net assets acquired	5,480,971	-	-
Minority interest	1,690,904	-	-
Common stock issued	(7,171,875)	-	-
Subordinated notes issued in acquisition of notes and accrued interest of subsidiary	8,000,000	-	-

</TABLE>

The accompanying notes are an integral part of these statements.

45

HARVEYS CASINO RESORTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND CONSOLIDATION

Harveys Casino Resorts, a Nevada corporation, (the "Company") is engaged in the casino entertainment industry. The Company owns and operates Harveys Resort Hotel/Casino on the south shore of Lake Tahoe, Nevada. Until April 30, 1996, the Company, through its wholly-owned subsidiary, Harveys C. C. Management Company, Inc. ("HCCMC") owned 70% of the equity interest in Harveys Wagon Wheel Casino Limited Liability Company ("HWW") which owns Harveys Wagon Wheel Hotel/Casino in Central City, Colorado. On April 30, 1996, the Company acquired all of the 30% minority interest in HWW in exchange for common stock of the Company. HCCMC has a contract to manage the Central City hotel and casino, which opened for business on December 2, 1994. Through its wholly-owned subsidiary, Harveys L. V. Management Company, Inc. ("HLVMC"), the Company owns 40% of the equity interest in Hard Rock Hotel, Inc. ("HRHC"), which owns the Hard Rock Hotel and Casino in Las Vegas, Nevada. HLVMC has a contract to manage the Las Vegas hotel and casino which opened for business on March 9, 1995. Additionally, the Company's wholly-owned subsidiary, Harveys Iowa Management Company, Inc. ("HIMC") is the owner and operator of Harveys Casino Hotel, a riverboat casino, hotel and convention center complex in Council Bluffs, Iowa. The riverboat casino portion of the complex opened for business on January 1, 1996 and the land-based hotel opened for business on May 24, 1996. All material intercompany accounts and transactions are eliminated in consolidation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and in banks, interest bearing deposits and highly liquid debt instruments purchased with initial maturities of three months or less. Cash equivalents are carried at cost which approximates market value.

MARKETABLE SECURITIES

As of December 1, 1994, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 115 - ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES. Under SFAS No. 115, the Company's marketable securities have been classified as "available-for-sale" and are stated at market value, with any unrealized gains or losses excluded from income and reported as a separate component of stockholders' equity for fiscal years 1996 and 1995. Market value is determined by the closing price of the security as of the balance sheet date. Net realized gains or losses are determined on the average cost method. Marketable securities at November 30, 1996 and 1995 consisted of shares in one mutual fund. The adoption of SFAS No. 115 did not have a material effect on the Company's financial position or net income.

CASINO REVENUES AND PROMOTIONAL ALLOWANCES

In accordance with industry practice, the Company recognizes as casino revenues the net win from gaming activities, which is the difference between gaming wins and losses. Promotional allowances consist principally of the retail value of complimentary rooms, food, beverage, and other promotional allowances

46

provided to customers without charge. The estimated costs of providing such complimentary services have been classified as casino operating expenses through interdepartmental allocations as follows:

	Years Ended November 30,		
	1996	1995	1994
Hotel.	\$ 2,454,401	\$ 1,707,465	\$ 1,235,377
Food and beverage.	9,805,175	8,566,136	6,445,881
Other.	51,782	53,527	74,146
	-----	-----	-----
	\$12,311,358	\$10,327,128	\$ 7,755,404
	-----	-----	-----
	-----	-----	-----

INVENTORIES

Inventories consist primarily of operating supplies and food and beverage stock and are stated at the lower of weighted average cost or market.

PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost. Interest incurred during construction is capitalized and amortized over the life of the asset. Costs of improvements are capitalized. Costs of normal repairs and maintenance are charged to expense as incurred. Upon the sale or retirement of property and equipment, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss, if any, is included in income. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the shorter of the asset life or lease term. Depreciable lives are as follows:

Buildings and improvements.	15 to 45 years
Riverboat	20 years
Leasehold improvements.	5 to 30 years
Equipment, furniture and fixtures	5 to 10 years

UNAMORTIZED LOAN COSTS AND DEBT ISSUANCE COSTS

Loan costs incurred in connection with a reducing, revolving credit agreement are amortized to interest expense over the term of the loan on a straight-line method. Debt issuance costs associated with the Company's senior subordinated notes are amortized to interest expense over the term of the notes on the interest method.

NET INCOME PER COMMON SHARE

Net income per common share is computed based on the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during the year.

Fully diluted earnings per share amounts are the same as primary per share amounts for the years presented.

INCOME TAXES

The Company and its subsidiaries file a consolidated federal tax return. Income taxes are recorded in accordance with the liability method specified by SFAS No. 109. The following basic principles are applied in accounting for income taxes: (a) a current liability or asset is recognized for the estimated taxes payable or refundable for the current year; (b) a deferred tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences and carryforwards; (c) the measurement of current and deferred tax liabilities and assets is based on the provisions of the enacted tax law, the effects of future changes in tax laws or rates are not anticipated; and (d) the measurement of deferred taxes is reduced, if necessary, by the amount of any tax benefits that, based upon available evidence, are not expected to be realized.

FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107-DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS requires the determination of fair value for certain of the Company's assets, liabilities and contingent liabilities. When practicable, the following methods and assumptions were used to estimate the fair value of those financial instruments included in the following categories:

Cash and cash equivalents: The carrying amount reported in the balance sheet approximates fair value.

Notes receivable: The fair value of notes receivable is based upon projected cash flows discounted at estimated current market rates of interest. It is not practicable to estimate the fair value of notes receivable-related parties due to the related party nature of those instruments.

Long-term debt: The fair value of long-term debt is estimated based on the current borrowing rates offered to the Company for debt of the same remaining maturities.

It is estimated that the carrying amounts of the Company's financial instruments approximate fair value at November 30, 1996.

CONCENTRATIONS OF CREDIT RISK

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business. These financial instruments consist of standby letters of credit.

The Company's exposure to credit loss in the event of nonperformance by the other party to the standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet

instruments. The Company does not have collateral or other security to support financial instruments with off-balance-sheet credit risk.

FUTURE DEVELOPMENT COSTS

The Company capitalizes costs associated with new gaming projects until: (a) the project is no longer considered viable and the costs are expensed; or (b) the likelihood of the project is relatively certain and the costs are reclassified to pre-opening and expensed when operations commence. Capitalized future development costs, relating to potential new gaming projects, of approximately \$1,427,000 and \$724,000 as of November 30, 1996 and 1995, respectively, are included on the accompanying balance sheet as other assets.

PRE-OPENING EXPENSES

Pre-opening expenses are associated with the acquisition, development and opening of the Company's new casino resorts. These amounts are expensed when the casino commences operations and include items that were capitalized as incurred prior to opening and items that are directly related to the opening of the property and are nonrecurring in nature. At November 30, 1995 approximately \$2.1 million incurred in connection with Harveys Casino Hotel project in Council

Bluffs, Iowa was included in prepaid expenses on the Company's balance sheet. In 1996, approximately \$4.1 million, including the previously incurred \$2.1 million, was expensed in conjunction with the Company's opening of Harveys Casino Hotel. Approximately \$2.1 million was expensed in fiscal 1995 in conjunction with the Company's opening of Harveys Wagon Wheel Hotel/Casino in Central City, Colorado. Additionally, the Company's equity in the loss of the Hard Rock Hotel and Casino for fiscal year 1995 included the Company's share of approximately \$4.5 million in pre-opening expenses.

MINORITY INTEREST

Minority interest at November 30, 1995 represents the minority member's proportionate share of equity in HWW. Such minority interest was acquired by the Company on April 30, 1996.

RECENTLY ISSUED ACCOUNTING STANDARDS

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123 - ACCOUNTING FOR STOCK-BASED COMPENSATION, which will be effective for the Company beginning December 1, 1996. SFAS No. 123 requires expanded disclosures of stock-based compensation arrangements with employees and encourages (but does not require) compensation cost to be measured based on the fair value of the equity instrument awarded. Companies are permitted, however, to continue to apply APB Opinion No. 25, which recognizes compensation cost based on the intrinsic value of the equity instrument awarded. The Company will continue to apply APB Opinion No. 25 to its stock based compensation awards to employees and will disclose the required pro forma effect on net income and earnings per share.

In March 1995, the Financial Accounting Standards Board issued SFAS No. 121- ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF, which will be effective for the Company beginning December 1, 1996. This statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. This statement

49

requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company does not expect that the adoption of this statement will have a material effect on the Company's results of operations or financial position.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the current year presentation. These reclassifications have no effect on net income.

2. SALE OF COMMON STOCK

During February 1994, the Company sold 2,250,000 shares of common stock in an initial public offering which generated net proceeds of approximately \$27.8 million after deducting underwriting discounts and expenses. In addition, stockholders of the Company sold 1,200,000 shares of common stock in the public offering and received proceeds, net of underwriting discounts, of approximately \$15.6 million.

3. ACCRUED EXPENSES

Accrued expenses consist of the following as of:

<TABLE>
<CAPTION>

November 30,

1996 1995

	<C>	<C>
<S>		
Provision for progressive jackpot payouts.	\$ 1,355,382	\$ 1,081,537
Accrued interest	242,480	2,546,329
Accrued salaries, wages and other employee benefits.	7,470,018	4,606,261
Accrued taxes other than income taxes.	2,066,110	907,128
Self-funded workers' compensation and medical claims accrual	1,640,617	1,568,679
Outstanding gaming chips and tokens.	1,613,158	1,147,689
Race and sports book futures and unclaimed winners	754,279	684,797
Customers' advanced deposits	622,525	85,078
Other accrued liabilities.	1,375,241	387,266
	-----	-----
	\$ 17,139,810	\$ 13,014,764
	-----	-----

</TABLE>

4. LONG-TERM DEBT

Long-term debt consists of the following as of:

<TABLE>
<CAPTION>

	November 30,	
	1996	1995
	----	----
<S>	<C>	<C>
10 5/8 % senior subordinated notes, due 2006	\$150,000,000	\$ -
Subordinated notes payable to related parties.	-	11,901,500
Banks and others		
Note payable to banks	30,500,000	115,000,000
Notes payable to financing company.	3,367,226	5,799,817
Other	239,231	441,793
	-----	-----
	184,106,457	133,143,110
Less current portion.	2,752,799	6,467,320
	-----	-----
	\$181,353,658	\$126,675,790
	-----	-----

</TABLE>

Aggregate annual maturities of long-term debt, based on amounts borrowed as of November 30, 1996, are as follows:

Years Ending November 30,	

1997.	\$ 2,752,799
1998.	633,353
1999.	11,089
2000.	12,336
2001.	13,724
2002 and thereafter	180,683,156

	\$ 184,106,457

10 5/8 % SENIOR SUBORDINATED NOTES, DUE 2006

On May 22, 1996 the Company issued and sold, pursuant to an underwritten public offering, \$150 million in aggregate principal amount of 10 5/8% senior subordinated notes due 2006 (the "Senior Subordinated Notes").

The Senior Subordinated Notes are governed by an indenture (the "Indenture") and are general unsecured obligations of the Company, subordinated in right of payment to all existing and future Senior Debt of the Company (as defined in the Indenture). The Senior Subordinated Notes are guaranteed by each of the Restricted Subsidiaries of the Company (as defined in the Indenture). Each guarantee is a general unsecured obligation of the guaranteeing Restricted Subsidiary, subordinated in right of payment to all existing and future Senior Debt of each guaranteeing Restricted Subsidiary. At November 30, 1996, the guaranteeing Restricted Subsidiaries were HCCMC, HWW, HIMC and HLVMC.

Interest on the Senior Subordinated Notes is payable semi-annually on June 1 and December 1 of each year, commencing December 1, 1996. The Senior Subordinated Notes will mature on June 1, 2006. The Senior Subordinated Notes are redeemable at the option of the Company, in whole or in part, at any time on or after June 1, 2001 at prices ranging from 105.313% of the principal amount,

plus accrued and unpaid interest, to 100% of the principal amount, plus accrued and unpaid interest, beginning June 1, 2004 and thereafter. Upon a Change of Control (as defined in the Indenture) each holder of the Senior Subordinated

Notes will have the right to require the Company to repurchase such holder's Senior Subordinated Notes at 101% of the principal amount plus accrued and unpaid interest to the repurchase date.

The Indenture contains certain covenants that impose limitations on, among other things (a) the incurrence of additional indebtedness by the Company or any Restricted Subsidiary, (b) the payment of dividends, (c) the repurchase of capital stock and the making of certain other Restricted Payments and Restricted Investments (each as defined in the Indenture) by the Company or any Restricted Subsidiary, (d) mergers, consolidations and sales of assets by the Company or any Restricted Subsidiary, (e) the creation or incurrence of liens on the assets of the Company or any Restricted Subsidiary and (f) transactions by the Company or any of its subsidiaries with Affiliates (as defined in the Indenture). These limitations are subject to a number of qualifications and exceptions as described in the Indenture. The Company was in compliance with these covenants at November 30, 1996.

The proceeds from the sale of the Senior Subordinated Notes, \$145.5 million net of underwriting commissions, were used to (a) repay a \$10 million note payable to a private investor, (b) retire the \$19 million balance of the note payable under a riverboat financing agreement, (c) redeem, for \$7.8 million plus accrued and unpaid interest, the \$8 million aggregate principal amount of subordinated notes payable to related parties, and (d) reduce the outstanding balance under the Company's reducing revolving bank credit facility.

SUBORDINATED NOTES PAYABLE TO RELATED PARTIES

In November 1993, HWW issued approximately \$11.9 million of 12% subordinated notes (the "HWW Notes") payable to affiliates of Mountain City Casino Partners, L. P. ("Mountain City"), which, until April 30, 1996, owned a 30% minority interest in HWW. Interest on the notes was payable monthly beginning March 1995. Approximately \$1.9 million of interest that had accrued through February 1995 was payable on December 1, 1995. An initial principal payment of \$3.967 million was due in November 1995. HWW did not make the required principal payment or the \$1.9 million interest payment. On April 30, 1996, the Company completed exchanges whereby, (a) the Company acquired the HWW Notes, and interest accrued thereon, in exchange for \$6 million cash and \$8 million aggregate principal amount of subordinated notes of the Company, due December 31, 2000 (the "Debt Exchange"), and (b) the Company acquired all of the 30% minority equity interest in HWW, the rights to acquire an additional 5% of the equity in HWW and the rights to a priority return from HWW, from Mountain City for 382,500 shares of the Company's common stock, par value \$0.01 per share (the "Equity Exchange"). In July 1996, the Company retired the \$8 million principal amount of notes issued in the Debt Exchange.

NOTES PAYABLE TO BANKS

On August 14, 1995 the Company entered into a reducing revolving credit agreement with a consortium of banks. On May 15, 1996 and on May 23, 1996 the reducing revolving credit agreement was amended, essentially to allow for the Debt Exchange, the Equity Exchange and the issuance of the Senior Subordinated Notes.

On September 30, 1996 the reducing revolving credit agreement was amended again to (a) modify the required repayment schedule and extend the maturity date, (b) reduce the maximum amount available, (c) modify the fee paid on the unborrowed maximum principal balance and (d) modify certain covenants contained in the agreement.

As of November 30, 1996, under the amended reducing revolving credit agreement (the "Credit Facility"), the Company could borrow up to a maximum available principal balance of \$115 million. The maximum available under the Credit Facility is reduced by the advanced but unpaid principal balance and by any letter of credit exposure. The advanced but unpaid principal balance at November 30, 1996 and 1995 was \$30.5 million and \$115 million, respectively. Outstanding letters of credit amounted to approximately \$2.4 million at November 30, 1996. The note payable under the Credit Facility matures in February 2002. Until then, the annual year-end maximum principal balances are as follows:

November 30,	

1997	\$115,000,000
1998	103,500,000

1999	92,000,000
2000	74,750,000
2001	57,500,000

The Company pays quarterly fees at an annual rate varying from three-eighths of one percent (0.375%) to one-half of one percent (0.5%) on the unborrowed maximum principal balance depending on the Company's ratio of funded debt to earnings before interest, taxes, depreciation and amortization. The rate in effect at November 30, 1996 was 0.425%.

Interest is due and payable monthly and is provided at the higher of the prime rate or the Federal Funds Rate plus one-half of one percent (0.5%) , plus an applicable margin determined by the Company's ratio of funded debt to earnings before interest, taxes, depreciation and amortization. However, in accordance with the terms of the Credit Facility, the Company has the option to cause a portion, or all, of the outstanding principal balance to accrue interest at a rate equal to the London Inter-Bank Offering Rate (LIBOR) plus the applicable margin. As a result of LIBOR options made by the Company, the following principal amounts are subject to the following interest rates as of November 30, 1996:

	Expiration Date	Amount	Rate
	-----	-----	----
LIBOR	December 27, 1996	\$ 24,000,000	7.625%
Prime	February 15, 2002	\$ 6,500,000	9.000%

The note is secured by all of the Company's property and equipment, contract rights, leases, intangibles and other security interests related to Harveys Resort Hotel/Casino, Harveys Wagon Wheel Hotel/ Casino and the Company's wholly-owned subsidiary, HIMC. Additional security is provided by a pledge of the stock of the following subsidiaries of the Company: HLVMC, HCCMC, HMC and Reno Projects, Inc., a Nevada corporation, which is wholly owned by the Company. The Credit Facility also contains covenants which require the Company to maintain certain financial ratios, restrict investments in and advances to affiliates and limit the Company's ability to pay dividends and incur additional indebtedness. The Company was in compliance with these covenants at November 30, 1996.

NOTES PAYABLE TO FINANCING COMPANY

HWW entered into an equipment financing agreement with a financing company to finance the acquisition of up to \$7.5 million of gaming and associated equipment. The principal balances of the secured notes under the equipment financing agreement as of November 30, 1996 were approximately \$2.4 million and \$1.0 million. The notes are secured by the equipment acquired and are payable in monthly payments

of approximately \$194,000 and \$56,000 including interest that accrues at a rate of 12.15% per annum. The notes will mature in December 1997 and July 1998, respectively.

5. OPERATING LEASE COMMITMENTS

The Company's future minimum lease commitments under noncancellable operating leases (principally for land) as of November 30, 1996 are as follows:

Years Ending November 30,	

1997	\$ 3,182,220
1998	2,617,829
1999	2,520,924
2000	2,410,090
2001	2,216,716
2002 and thereafter.	28,943,843

	\$ 41,891,622

Certain leases included above have provisions which require periodic increases in the rental payments based upon the consumer price index as of certain dates. In addition, annual lease payments under an obligation on a land lease are based upon 3% of gross gaming revenues of Harveys Resort Hotel/Casino, or a minimum rent, as adjusted for the consumer price index, whichever is greater. For 1996, 1995 and 1994, the Company recognized rental expense of approximately \$2.5 million, \$3.1 million and \$3.1 million, respectively, which includes approximately \$655,000, \$740,000, and \$1,400,000, respectively, above the minimum rental amounts.

The Company is also a lessor on several noncancellable lease agreements. Of the rental income recognized for the years ended November 30, 1996, 1995 and

1994, approximately \$77,000, \$85,000 and \$81,000, respectively, represents rents received as a percentage of gross receipts. The remaining amounts are attributable to specified minimum rent. Future minimum payments due to the Company under these noncancellable lease agreements are as follows:

Years Ending November 30,	

1997	\$ 873,402
1998	655,134
1999	171,370
2000	144,150
2001	93,000

	\$ 1,937,056

6. INCOME TAXES

The provision for income taxes consists of the following:

<TABLE>
<CAPTION>

	Years Ended November 30,		
	1996	1995	1994
	----	----	----
<S>	<C>	<C>	<C>
Current	\$5,484,923	\$3,547,680	\$1,927,578
Deferred	2,306,574	352,320	572,422
	-----	-----	-----
Income tax provision before extraordinary item	7,791,497	3,900,000	2,500,000
Income tax benefit of extraordinary item	(334,497)	-	-
	-----	-----	-----
Income tax provision	\$7,457,000	\$3,900,000	\$2,500,000
	-----	-----	-----

</TABLE>

The difference between the Company's provision for federal income taxes as presented in the accompanying consolidated statements of income, and the provision for income taxes computed at the statutory rate is comprised of the items shown in the following table as a percent of pre-tax earnings.

<TABLE>
<CAPTION>

	Years Ended November 30,		
	1996	1995	1994
	----	----	----
<S>	<C>	<C>	<C>
Income tax at the statutory rate	35.0%	35.0%	35.0%
Non-deductible expenses	0.8	0.7	0.9
Tax credits	(1.1)	(1.2)	(2.4)
Nontaxable life insurance benefits	-	(5.3)	(1.7)
State income tax, net of federal benefit	1.9	-	-
Other, net	3.1	0.2	0.9
	-----	-----	-----
	39.7%	29.4%	32.7%
	----	----	----

</TABLE>

The components of the deferred income tax assets and liabilities as presented in the consolidated balance sheets, are as follows at November 30,

	1996	1995
	----	----
Deferred Tax Asset		
Accrued compensation	\$ 4,513,769	\$ 3,328,122
Other accrued expenses	2,401,454	2,479,436
	-----	-----
	6,915,223	5,807,558
Deferred Tax Liability		
Property and equipment	22,770,630	19,223,206
	-----	-----
Net deferred tax liability	\$15,855,407	\$13,415,648

Current deferred asset	\$ 3,483,912	\$ 2,479,436
Noncurrent deferred liability.	19,339,319	15,895,084
Net deferred tax liability	\$15,855,407	\$13,415,648

The Company's federal income tax returns for fiscal years 1994 and 1995 are currently under examination by the Internal Revenue Service. Management of the Company does not believe any significant adjustments will be required.

7. EXTRAORDINARY ITEM

In May 1996, the Company expensed the remaining unamortized debt issuance costs related to a \$10 million note payable to a private investor that was retired before maturity. In June 1996, the Company applied a portion of the net proceeds from the sale of the Senior Subordinated Notes to retire the balance of approximately \$19 million outstanding under the note payable under a riverboat financing agreement and expensed the unamortized debt issuance cost related to that agreement. In July 1996, the Company retired the subordinated notes issued in the Debt Exchange and recognized expense as the result of writing off the related debt issuance costs. These items are reflected in operating results as an extraordinary loss in 1996 of approximately \$522,000 net of income tax benefit.

8. EMPLOYEE BENEFIT PLANS

401(k) PLAN

The Company maintains a defined contribution retirement savings plan for all full-time employees who have at least one year of continuous employment and 1,000 hours of service. The Company contributes amounts equal to 50% of each eligible employee's voluntary contributions. For purposes of determining the Company's required contribution to the plan, the employee's voluntary contributions cannot exceed 6% of the employee's qualified compensation. The Company's contribution to the plan for the years ended November 30, 1996, 1995 and 1994 amounted to approximately, \$1,011,000, \$1,035,000 and \$905,000, respectively.

LONG-TERM INCENTIVE PLAN

In 1994, the Company adopted a long-term incentive plan for key employees. Under the plan, incentives are accrued based upon annual operating results; however, ultimate payment of these incentives is contingent upon the Company attaining certain financial objectives over consecutive and concurrent three-year periods. As of November 30, 1996 and 1995, the amount due to plan participants was \$782,000 and \$461,000, respectively.

DEFERRED COMPENSATION PLAN

In 1990, the Company established a non-qualified deferred compensation plan for designated executives and outside directors. Individuals electing to participate in this plan may voluntarily defer receipt of up to twenty-five percent (25%) of the participant's annual compensation. The deferred compensation is credited to each participant's account, and interest on such amounts is added to the participant's account each quarter. The interest rate paid on amounts deferred prior to calendar year 1995 is the prime rate at the beginning of each quarter plus five percent (13.25% at November 30, 1996). The interest rate paid on amounts deferred subsequent to December 31, 1994 is the prime rate plus two and one-half percent (10.75% at November 30, 1996). The Company is under no obligation to fund amounts under this plan, and such amounts are unsecured and treated as general obligations of the Company. As of November 30, 1996 and 1995, the amount due participants in this plan was approximately \$1,998,000 and \$1,328,000, respectively.

OMNIBUS INCENTIVE PLANS

In November 1993, the Company adopted the 1993 Omnibus Incentive Plan (the "1993 Plan") and in March 1996, the Company adopted the 1996 Omnibus Incentive Plan (the "1996 Plan" and together with

the 1993 Plan, collectively referred to as the "Plans"). Under the Plans, shares of the Company's common stock may be granted to employees or prospective employees of the Company and/or its subsidiaries who are responsible for the

management, growth and protection of the business of the Company. Issuance of shares of common stock under the Plans may consist of stock options, stock appreciation rights, restricted stock grants, performance units and dividend equivalents. The Plans are administered by a committee of the Board of Directors (the "Committee") whose members determine who will be awarded stock options, stock appreciation rights, restricted stock grants, performance units and dividend equivalents.

Under the 1993 Plan, 915,219 shares of the Company's common stock were reserved for potential awards and under the 1996 Plan, an additional 500,000 shares of the Company's common stock were reserved.

Stock options may be granted alone or in addition to other awards or in tandem with stock appreciation rights. The exercise price of stock options granted under the Plans is established by the Committee, but the exercise price may not be less than the market price of the Company's common stock on the date the option is granted. The term of each stock option will be fixed by the Committee. However, the term of any stock option may not exceed ten years. In connection with the Company's public stock offering, options to acquire shares of common stock were granted to designated executive officers and key employees under the terms of the 1993 Plan. The exercise price of the options is equal to the initial public offering price (\$14 per share) of the common stock. Subsequent to the public stock offering, the Company has also granted additional options to certain key employees. The exercise price of these options ranges between \$10.62 and \$22.25 per share. These options will be exercisable as to 33 1/3% of the shares on each of the next three anniversaries of the date of grant. The following table summarizes options granted, exercised and canceled during the year:

<TABLE>
<CAPTION>

	Years Ended November 30,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Stock options outstanding at beginning of year	469,432	367,500	-
Stock options granted	407,580	116,200	374,500
Stock options exercised	(25,665)	(3,334)	-
Stock options canceled	(20,334)	(10,934)	(7,000)
Stock options outstanding at end of year	831,013	469,432	367,500
Stock options exercisable at end of year	433,042	230,166	122,500

</TABLE>

Stock appreciation rights entitle the holder to receive in cash an amount equal to the excess of the fair market value of common stock on the date of exercise over the fair market value of common stock on the date of grant. A stock appreciation right may be exercised at any time following the date which is six months after the date of grant, but not prior to the exercisability of any stock option with which it is granted in tandem. As of November 30, 1996, no stock appreciation rights had been granted.

Restricted stock grants are awards of shares of common stock granted subject to such restrictions, terms and conditions as the Committee deems appropriate. The Committee determines the number of restricted shares to be granted and may impose different terms and conditions on any particular restricted share grant made to any employee. In connection with the Company's initial public stock offering, the Company granted to certain executive officers and key employees 176,500 shares of restricted common stock. The award of these restricted shares was in consideration of past and future services provided by the

executive officers and key employees. During fiscal 1995, the Company granted an additional 50,500 restricted shares and during fiscal 1996, an additional 1,500 shares were granted. The restricted shares granted, in each case, vested immediately as to 25% of the shares as of the date of the grant and vest an additional 25% on each of the next three anniversaries of the grant. As of November 30, 1996 grantees of the restricted shares had forfeited 6,375 shares pursuant to terms of the Plans. The Company has recognized approximately \$750,000, \$930,000, and \$660,000 as compensation expense in 1996, 1995, and 1994, respectively.

At November 30, 1996, 9,712 shares of the Company's common stock were available for grant under the 1993 Plan and an additional 323,370 shares were available for grant under the 1996 Plan.

1993 EMPLOYEE STOCK GRANT PROGRAM

In November 1993, the Company adopted the 1993 Employee Stock Grant Program. The plan provided for a one-time aggregate grant of 20,133 shares of the Company's common stock to each employee who had been employed by the Company for at least one year and was not otherwise a stockholder of the Company or eligible to participate in any of the Company's other benefit plans providing for stock ownership.

1993 NON-EMPLOYEE DIRECTORS' STOCK OPTION PROGRAM

In November 1993, the Company adopted the 1993 Non-Employee Directors' Stock Option Program whereby each currently serving non-employee director was granted an option to purchase 4,500 shares of the Company's common stock, and will be granted an option to purchase 1,500 shares of common stock immediately following each annual meeting. Each new non-employee director receives a grant of an option to purchase 4,500 shares of the Company's common stock immediately after the first annual meeting of shareholders after any such director is elected or appointed to the Board of Directors and will receive an option to purchase 1,500 shares of common stock immediately following each subsequent annual meeting. The options granted will vest 33 1/3% on the date of grant and 33 1/3% on each of the next two anniversaries of grant. The exercise price will be the fair market value of the common stock on the date of grant. A total of 60,000 shares have been reserved for issuance under this plan. As of November 30, 1996, 33,000 options have been granted under this plan at exercise prices of \$14 to \$18.13 per share. The following table summarizes options granted, exercised and canceled during the year:

<TABLE>
<CAPTION>

	Years Ended November 30,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Stock options outstanding at beginning of year.	22,500	18,000	-
Stock options granted	6,000	9,000	18,000
Stock options exercised	(6,000)	-	-
Stock options canceled.	(1,500)	(4,500)	-
Stock options outstanding at end of year.	21,000	22,500	18,000
Stock options exercisable at end of year.	15,500	16,500	6,000

</TABLE>

SUPPLEMENTAL RETIREMENT PLANS

In January 1991, the Company adopted noncontributory supplemental executive retirement plans for certain key executives. Normal retirement under the supplemental executive retirement plans is age 65, and participants receive benefits based on years of service and compensation. In October 1993, the Company adopted a noncontributory plan for members of the Company's Board of Directors. Participants in the Board of Directors plan receive benefits based on years of service upon retirement from the Board.

The following table sets forth the plans' funded status and amounts recognized in the Company's balance sheet as of November 30, 1996 and 1995:

ACTUARIAL PRESENT VALUE OF BENEFIT OBLIGATION

<TABLE>
<CAPTION>

	November 30,	
	1996	1995
<S>	<C>	<C>
Accumulated benefit obligation, including vested benefits of \$10,024,952 and \$9,409,411, respectively	\$ 10,662,987	\$ 9,923,469
Projected benefit obligation for service rendered to date.	\$ 13,660,863	\$ 12,702,124
Plan assets at fair value.	-	-
Projected benefit obligation in excess of plan assets.	13,660,863	12,702,124
Unrecognized net gain (loss)	(2,586,914)	(2,961,839)

Prior service cost not yet recognized in net periodic pension cost	(1,862,149)	(2,075,146)
Unrecognized net obligation at adoption date	(1,885,821)	(2,057,520)
	-----	-----
Accrued pension cost recognized.	\$ 7,325,979	\$ 5,607,619
	-----	-----
Additional liability and intangible asset:		
Accumulated benefit obligation	\$ 10,662,987	\$ 9,923,469
Less: Plan assets at fair value.	-	-
	-----	-----
Unfunded accumulated benefit obligation.	10,662,987	9,923,469
Less: Accrued pension cost	(7,325,979)	(5,607,619)
	-----	-----
Additional liability	\$ 3,337,008	\$ 4,315,850
	-----	-----
Intangible asset - limited to unrecognized net obligation plus prior service cost.	\$ 3,337,008	\$ 4,132,666
	-----	-----

</TABLE>

Pension cost consists of the following components:

<TABLE>
<CAPTION>

	Years Ended November 30,		
	1996	1995	1994
	----	----	----
<S>	<C>	<C>	<C>
Service cost - benefits earned during the period	\$ 425,334	\$ 286,453	\$ 675,383
Interest cost on projected benefit obligation	907,147	835,627	725,369
Return on plan assets.	-	-	-
Net amortization and deferral.	517,165	451,468	556,605
	-----	-----	-----
Net periodic pension cost.	\$ 1,849,646	\$ 1,573,548	\$ 1,957,357
	-----	-----	-----

</TABLE>

The projected benefit obligation for November 30, 1996 and 1995 was determined using an assumed discount rate of 7.25% and an assumed salary increase rate of 5%. The Company has recorded additional liabilities of \$3,337,008 and \$4,315,850, and intangible assets of \$3,337,008 and \$4,132,666 as of November 30, 1996 and 1995, respectively. As of November 30, 1996 and 1995 a liability of approximately \$10.6 million and \$9.9 million, respectively, is included in the consolidated balance sheets under the caption "Other liabilities" for the above plan.

POSTRETIREMENT BENEFITS

The Company provides postretirement medical benefits for certain key executives and members of the Company's Board of Directors. These plans have been accounted for in accordance with the provisions of SFAS No. 106- EMPLOYERS' ACCOUNTING FOR POSTRETIREMENT BENEFITS OTHER THAN PENSIONS. This statement requires that the cost of these postretirement medical benefits be recognized under the accrual method of accounting. As permitted by SFAS No. 106, the Company has elected to amortize over a period of 20 years the accumulated postretirement benefit obligation (transition obligation) related to prior service costs. The components of the periodic expense for postretirement benefits were as follows:

<TABLE>
<CAPTION>

	Years Ended November 30,		
	1996	1995	1994
	----	----	----
<S>	<C>	<C>	<C>
Service cost of benefits earned.	\$ 94,414	\$ 70,372	\$ 73,071
Interest cost on liability	55,338	47,470	40,006
Amortization of transition obligation.	12,197	12,197	12,197
Prior service cost	6,683	5,012	5,012
Loss	3,136	1,766	5,876
	-----	-----	-----
Net periodic postretirement benefit cost	\$ 171,768	\$ 136,817	\$ 136,162
	-----	-----	-----

</TABLE>

The Company's current policy is to fund the plan as covered benefits are paid. The actuarial and recorded liabilities for postretirement benefits, none of which have been funded, were as follows:

<TABLE>
<CAPTION>

	November 30,	
	1996	1995
	-----	-----
<S>	<C>	<C>
Accumulated postretirement benefit obligation		
Retirees	\$ 35,433	\$ 34,810
Fully eligible active plan participants	97,139	84,439
Other active plan participants	775,681	648,080
	-----	-----
	908,253	767,329
	-----	-----
Plan assets at fair value	-	-
Accumulated postretirement benefit obligation in excess of plan assets	908,253	767,329
Prior service cost not recognized in net periodic postretirement benefit cost	(102,547)	(109,230)
Unrecognized net gain	(110,393)	(121,583)
Unrecognized transition obligation	(195,140)	(207,337)
	-----	-----
Postretirement benefit liability recognized in the consolidated balance sheets	\$ 500,173	\$ 329,179
	-----	-----

</TABLE>

A 6% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1996 and 1995. Increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of November 30, 1996 and 1995 by approximately \$ 139,000 and \$123,000, respectively, and increase the service and interest cost components of net periodic postretirement benefit cost by approximately \$ 26,000 and \$15,000, respectively. The weighted average discount rate used to estimate the accumulated postretirement benefit obligation at November 30, 1996 and 1995 was 7.25%.

SELF INSURED PLANS

The Company is self insured for employee medical coverage and workers' compensation for the benefit of its employees. Estimated accrued obligations for claims under these self- insured plans as of November 30, 1996 and 1995 were approximately \$1.6 million and \$1.6 million, respectively. The Company's maximum liability under both plans is limited by stop-loss agreements with insurance companies.

9. COMMITMENTS AND CONTINGENCIES

LETTERS OF CREDIT

In connection with regulatory requirements of the State of Nevada and the City of Central, Colorado, the Company was required to issue irrevocable standby letters of credit to guarantee the Company's obligation to satisfy a progressive slot machine jackpot payout, guarantee payment of workers' compensation benefit payments and to insure completion of public improvements. Outstanding standby letters of credit as of November 30, 1996 were as follows:

<TABLE>
<CAPTION>

	Amount	Expiration Date
	-----	-----
<S>	<C>	<C>
Gaming Patron	\$ 538,095	December 2, 1997
St. Paul Fire and Marine (workers' compensation)	812,500	April 15, 1997
City of Central, Colorado	841,219	December 6, 1997
City of Central, Colorado	119,972	October 28, 1997
City of Central, Colorado	60,000	October 28, 1997

	\$ 2,371,786	

</TABLE>

The standby letter of credit of \$841,219 in favor of Central City, Colorado was canceled in January 1997.

EMPLOYMENT CONTRACTS

The Company has entered into employment agreements with certain key executives. Each agreement expires prior to December 31, 2000. The employment agreements provide for, among other things, annual base compensation, participation in bonus plans, certain stock grants and stock option provisions.

CONSTRUCTION COMMITMENTS

The Company has commenced construction of a parking facility adjacent to Harveys Wagon Wheel Hotel/ Casino in Central City, Colorado. As currently designed, the facility will accommodate approximately 550 automobiles and is scheduled for completion in the summer of 1997. The Company has entered into various contracts or agreements relative to the construction of the parking facility. The cost of

the project, as currently planned, is estimated to be approximately \$10.8 million. Through November 30, 1996, the Company had expended approximately \$2.2 million.

10. RELATED PARTY TRANSACTIONS

NOTES RECEIVABLE FROM RELATED PARTY TRUST

Jessica L. Ledbetter, Kirk B. Ledbetter and Franklin K. Rahbeck, all directors of the Company, and Wells Fargo Bank, National Association are the trustees of the William B. Ledbetter and Beverlee A. Ledbetter Irrevocable Trust ("the Trust"). The Trust owns survivorship life insurance policies on the lives of William B. Ledbetter and Beverlee A. Ledbetter, deceased. William B. Ledbetter is an officer and director of the Company and , until her death on September 12, 1995, Beverlee A. Ledbetter was the largest shareholder of the Company. Prior to fiscal 1995, the Company had paid premiums on the life insurance policies owned by the Trust. The Company has no further obligation to pay such premiums. The Trust has issued two notes payable to the Company for the amounts of the premiums previously paid by the Company. The notes are in the principal amounts of \$1,376,995 and \$455,272 and bear interest at the rate of 5.84% and 6.30%, respectively. Interest on the notes is payable on December 31 of each year and the entire unpaid principal amount becomes due on the earlier of November 15, 2001 or the death of William B. Ledbetter.

INVESTMENT IN EXPANSION PROJECTS

In September 1993, the Company made a capital contribution of \$10.0 million cash in HRHC for purposes of developing the Hard Rock Hotel and Casino. During 1994, the Company contributed an additional \$806,400 and, in January 1995, the Company made an additional capital contribution of \$4.0 million. The Company has a 40% equity interest in HRHC.

ACQUISITION

On April 30, 1996 the Company acquired all of the 30% minority interest in HWW. Prior to April 30, 1996 the Company owned 70% of HWW through the Company's wholly-owned subsidiary, HCCMC. The acquisition of the minority interest was accomplished through the exchange of 382,500 shares of the common stock of the Company.

The acquisition was accounted for using the purchase method of accounting. Accordingly, the purchase price (the market value of the common stock issued, net of issuance costs) was allocated to the net assets acquired based on their estimated fair values as follows: \$3.8 million to buildings and \$1.6 million to land.

Until April 30, 1996, the operating results of HWW, less the minority interest, were consolidated with those of the Company. Since the acquisition, 100% of the results of operations have been consolidated with those of the Company. The following table reflects unaudited pro forma consolidated results of the Company and HWW on the basis that the acquisition had taken place at the beginning of the fiscal year presented:

Dollars in thousands, except per common share amounts	Years Ended November 30,	

	1996	1995
	----	----
Net revenues	\$ 186,369	\$ 173,200
Net income	11,243	8,806

Net income per common share
(9,923,193 shares and 9,838,551 shares). . . . \$ 1.13 \$ 0.90

These unaudited pro forma results have been prepared for comparative purposes only and include certain adjustments, such as additional depreciation and the elimination of the minority interest in the loss from operations. They do not purport to be indicative of the results of operations which actually would have resulted had the acquisition been consummated December 1, 1994 or of future results of operations of the consolidated entities.

11. UNCONSOLIDATED AFFILIATE

The Company owns a 40% equity interest in HRHC. The Company accounts for this investment on the equity method. The Hard Rock Hotel and Casino opened March 9, 1995. Pursuant to a management agreement, the Company earns a base management fee of 4% of adjusted gross revenue (as defined in the agreement), and up to an additional 2% of adjusted gross revenue if certain financial targets are met, from HRHC. Operating results prior to the opening were immaterial. Summarized balance sheet and income statement information for HRHC as of November 30, 1996 and 1995, and for the years then ended were as follows:

Sumarized Balance Sheet Information (in thousands)	November 30,	
	1996	1995
Current assets	\$ 11,376	\$ 7,604
Land, buildings and equipment, net	84,466	88,133
Other assets	11,792	4,083
Total assets	107,634	99,820
Current liabilities	20,950	12,712
Long-term debt	55,922	60,813
Total liabilities	76,872	73,525
Net assets	\$ 30,762	\$ 26,295

Summarized Statements of Operations (in thousands)	Years Ended November 30,	
	1996	1995
Revenues	\$ 77,289	\$ 55,863
Operating income	12,663	2,100
Net income (loss)	4,467	(1,981)

12. SUMMARIZED FINANCIAL INFORMATION OF SUBSIDIARIES

The Senior Subordinated Notes issued by the Company are guaranteed by all direct and indirect subsidiaries of the Company, except for subsidiaries which are inconsequential. The guarantees are full and unconditional and joint and several. The following summarized combined financial information of the

guarantor subsidiaries includes the accounts of HCCMC, HWW (which became wholly owned in April 1996), HLVMC and HIMC. Full separate financial statements of the guarantor subsidiaries have not been included because management has determined that they are not material to investors.

<TABLE>
<CAPTION>

BALANCE SHEET DATA (IN THOUSANDS)	NOVEMBER 30,	
	1996	1995
ASSETS:		
<S>	<C>	<C>
Total current assets	\$ 13,952	\$ 6,591
Total noncurrent assets	191,279	130,627
Total assets	\$ 205,231	\$ 137,218
LIABILITIES AND STOCKHOLDERS' EQUITY		
Total current liabilities	\$ 35,203	\$ 16,862
Noncurrent liabilities	122,414	83,371
Minority interest in subsidiary	2,098	1,758
Stockholders' equity	45,516	35,227

Total liabilities and stockholders' equity	\$ 205,231	\$ 137,218
--	------------	------------

STATEMENT OF OPERATIONS DATA (IN THOUSANDS)	YEARS ENDED NOVEMBER 30,	
	1996	1995
Net revenues	\$ 117,214	\$ 42,580
Costs and expenses	(95,746)	(36,080)
Other expense	(11,298)	(4,587)
Income tax provision	(3,933)	(659)
Income from continuing operations	6,237	1,254
Extraordinary item, net of tax benefit	(172)	-
Net income	\$ 6,065	\$ 1,254
STATEMENT OF CASH FLOWS DATA (IN THOUSANDS)		
Net cash provided by operating activities	\$ 17,147	\$ 2,128
Net cash used in investing activities	(40,408)	(62,656)
Net cash provided by financing activities	31,400	61,648
Increase in cash and cash equivalents	\$ 8,139	\$ 1,120

</TABLE>

13. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth unaudited selected quarterly financial information for each quarter of fiscal 1996 and 1995. This information, in the opinion of management, includes all normal recurring adjustments necessary for a fair representation of the information set forth therein. The operating results for any quarter are not indicative of results for any future period. Quarterly results may not be comparative due to the seasonal nature of operations.

64

<TABLE>
<CAPTION>

(IN THOUSANDS, EXCEPT PER SHARE DATA)	FIRST	SECOND	THIRD	FOURTH
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Fiscal 1996				
Revenue	\$ 49,474	\$ 59,380	\$ 74,249	\$ 64,647
Operating income	895	8,147	15,198	9,781
Income (loss) before income taxes and extraordinary item	(896)	5,049	10,533	4,918
Extraordinary item, net of tax	-	(141)	(380)	-
Net income (loss)	(576)	3,003	5,905	2,961
Net income (loss) per common share (a):				
Income (loss) before extraordinary item	\$ (0.06)	\$ 0.33	\$ 0.64	\$ 0.30
Extraordinary item, net of tax	-	(0.02)	(0.04)	-
Net income (loss) per common share	\$ (0.06)	\$ 0.31	\$ 0.60	\$ 0.30
Fiscal 1995				
Revenue (b)	\$ 38,337	\$ 40,649	\$ 50,854	\$ 43,360
Operating income (loss) (b)	(528)	3,555	9,643	5,684
Income (loss) before income taxes	(1,747)	1,506	8,111	5,375
Net income (loss)	(1,117)	961	5,318	4,183
Net income (loss) per common share (a)	\$ (0.12)	\$ 0.10	\$ 0.56	\$ 0.44

</TABLE>

(a) Net income (loss) per share calculations for each quarter are based on the weighted average number of common stock and common stock equivalents outstanding during the respective quarters; accordingly, the sum of the quarters does not equal the full-year income per share.

(b) Revenue and operating income (loss) for the second, third and fourth quarters of fiscal 1995 differ from those previously reported due to the reclassification of the Company's equity in the income (loss) of HRHC to revenue.

65

Exhibit Number -----	Description -----	Page -----
2.1	Acquisition Agreement, dated as of March 28, 1996, between the Registrant and Mountain City Casino Partners, L. P. (9)	
3.1	Restated Articles of Incorporation of the Registrant (1)	
3.2	Sixth Amended Bylaws of the Registrant (11)	
4.1	Form of Stock Certificate of the Registrant (1)	
4.2	Indenture, dated as of April 30, 1996 between the Registrant and IBJ Schroder Bank and Trust, as Trustee (including form of Note) (9)	
4.3	Indenture, dated as of May 15, 1996 by and among the Registrant (the "Issuer") Harveys Wagon Wheel Casino Limited Liability Company, Harveys C. C. Management Company, Inc., Harveys Iowa Management Company, Inc. and Harveys L. V. Management Company, Inc. (the "Guarantors") and IBJ Schroder Bank & Trust Company as Trustee (including form of Note) (10)	
4.4	First Supplemental Indenture, dated as of June 5, 1996, supplementing the Indenture as of May 15, 1996 among the Registrant (the 'Issuer'), Harveys Wagon Wheel Casino Limited Liability Company, Harveys C. C. Management Company, Inc., Harveys Iowa Management Company, Inc. and Harveys L.V. Management Company, Inc. (the 'Guarantors'), and IBJ Schroder Bank and Trust Company as Trustees (12)	
10.1	Amended and Restated Loan Agreement, dated April 20, 1989, between the Registrant and First Interstate Bank of Nevada, N.A., First Interstate Bank of California, First Interstate Bank of Oregon, N.A., First Interstate Bank of Washington, N.A., First Interstate Bank of Denver, N.A., West One Bank, Idaho, N.A., National Bank of Detroit and First Interstate Bank of Utah, N.A. (1)	
10.2	Amended and Restated Promissory Note, dated April 20, 1989, between the Registrant and First Interstate Bank of Nevada, N.A., First Interstate Bank of California, First Interstate Bank of Oregon, N.A., First Interstate Bank of Washington, N.A., First Interstate Bank of Denver, N.A., West One Bank, Idaho, N.A., National Bank of Detroit and First Interstate Bank of Utah, N.A. (1)	
10.3	Rate Reduction Agreement, dated February 27, 1990, between First Interstate Bank of Nevada, N.A., First Interstate Bank of California, First Interstate Bank of Oregon, N.A., First Interstate Bank of Washington, N.A., First Interstate Bank of Denver, N.A., West One Bank, Idaho, N.A., National Bank of Detroit and First Interstate Bank of Utah, N.A. (1)	

66

Exhibit Number -----	Description -----	Page -----
	One Bank, Idaho, N.A., National Bank of Detroit and First Interstate Bank of Utah, N.A. and the Registrant. (1)	
10.4	First Amendment to Amended and Restated Loan Agreement, dated August 30, 1991, between the Registrant and First Interstate Bank of Nevada, N.A., First Interstate Bank of California, First Interstate Bank of Denver, N.A., West One Bank, Idaho, N.A., National Bank of Detroit and First Interstate Bank of Utah, N.A. (1)	
10.5	Second Amended and Restated Promissory Note, dated August 30, 1991, between the Registrant and First Interstate Bank of Nevada, N.A., First Interstate Bank of California, First Interstate Bank of Denver, N.A., West One Bank, Idaho, N.A., National Bank of Detroit and First Interstate Bank of Utah, N.A. (1)	
10.6	Second Amendment to Amended and Restated Loan Agreement and Amendment to A/R Note, dated March 30, 1992, between the Registrant and First Interstate Bank of Nevada, N.A., First	

Interstate Bank of California, First Interstate Bank of Denver, N.A., West One Bank, Idaho, N.A., National Bank of Detroit and First Interstate Bank of Utah, N.A. (1)

- 10.7 Letter Agreement, dated November 25, 1992, between the Registrant and First Interstate Bank of Nevada, N.A., First Interstate Bank of California, First Interstate Bank of Denver, N.A., West One Bank, Idaho, N.A., National Bank of Detroit and First Interstate Bank of Utah, N.A. (1)
- 10.8 Third Amendment to Amended and Restated Loan Agreement, dated January 8, 1993, between the Registrant and First Interstate Bank of Nevada, N.A., First Interstate Bank of California First Interstate Bank of Denver, N.A., West One Bank, Idaho, N.A., NBD Bank, N.A., and First Interstate Bank of Utah, N.A. (1)
- 10.9 Third Amended and Restated Promissory Note, dated January 15, 1993, between the Registrant and First Interstate Bank of Nevada, N.A., First Interstate Bank of California, First Interstate Bank of Denver, N.A., West One Bank, Idaho, N.A., NBD Bank, N.A., and First Interstate Bank of Utah, N.A. (1)
- 10.10 Fourth Amendment to Amended and Restated Loan Agreement (1)
- 10.11 Net Lease Agreement, dated February 28, 1985, between Park Cattle Co. and the Registrant (1)
- 10.12 Lease, dated July 9, 1973, between Park Cattle Co. and the Registrant (1)
- 10.13 Deed of Trust with Assignment of Rents and Security Agreement (Nevada Property), dated March 15, 1985, between the Registrant and Lawyers Title of Northern Nevada, as Trustee, and First Interstate Bank of Nevada, N.A., First Interstate Bank of California,

67

Exhibit Number -----	Description -----	Page ----
	National Bank of Detroit, First Interstate Bank of Denver, N.A., First Interstate of Washington, N.A., and First Interstate Bank of Utah, N.A. (1)	
10.14	First Amendment to Deed of Trust with Assignment of Rents and Security Agreement (Nevada Property), dated April 20, 1989, between the Registrant and Western Title Company, Inc., as Trustee, and First Interstate Bank of Nevada, N.A., First Interstate Bank of California, National Bank of Detroit, First Interstate Bank of Denver, N.A., First Interstate Bank of Washington, N.A., First Interstate Bank of Utah, N.A., First Interstate Bank of Oregon, N.A., and West One Bank, Idaho, N.A. (1)	
10.15	Deed of Trust and Assignment of Rents (California Property), dated March 15, 1985, between the Registrant and Lawyers Title Insurance Corporation, as Trustee, and First Interstate Bank of Nevada, N.A., First Interstate Bank of California, National Bank of Detroit, First Interstate Bank of Denver, N.A., First Interstate Bank of Washington, N.A., and First Interstate Bank of Utah, N.A. (1)	
10.16	First Amendment to Deed of Trust with Assignment of rents and Security Agreement (California Property), dated April 20, 1989, between the Registrant and Western Tiel Company, Inc., as Trustee, and First Interstate Bank of Nevada, N.A., First Interstate Bank of California, National Bank of Detroit, First Interstate Bank of Denver, N.A., First Interstate of Washington, N.A., and First Interstate Bank of Utah, N.A., First Interstate Bank of Oregon, N.A., and West One Bank Idaho, N.A. (1)	
10.17	Second Amendment to Deed of Trust with Assignment of Rents and Security Agreement (Nevada Property), dated January 12, 1993, between the Registrant and Western Title Company, Inc., as Trustee, and First Interstate Bank of Nevada, N.A., First Interstate Bank of California, First Interstate Bank of Denver, N.A., First Interstate Bank of Utah, N.A., West One Bank, Idaho, and NBD Bank, N.A. (1)	

- 10.18 Second Amendment to Deed of Trust with Assignment of Rents and Security Agreement (California Property), dated January 12, 1993, between the Registrant and Western Title Company, Inc., as Trustee, and First Interstate Bank of Nevada, N.A., First Interstate Bank of California, First Interstate Bank of Denver, N.A., First Interstate Bank of Utah, N.A., West One Bank, Idaho, and NBD Bank, N.A. (1)
- 10.19 Employment Agreement, dated November 1, 1993, between Richard F. Kudrna, Sr. and the Registrant (1)
- 10.20 Employment Agreement, dated November 30, 1993, between Thomas M. Yturbide and the Registrant (1)

68

Exhibit Number -----	Description -----	Page ----
10.21	Employment Agreement, dated November 30, 1993, between William B. Ledbetter and the Registrant (1)	
10.22	Collective Bargaining Agreements between the Registrant and International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators (1)	
10.23	Outside Directors Retirement Plan, Amended (1)	
10.24	Director Emerita Resolution - Beverlee Ledbetter (1)	
10.25	Supplemental Executive Retirement Plan (1)	
10.26	Senior Supplemental Executive Retirement Plan (1)	
10.27	Honorary Director Resolution - Vera Gross (1)	
10.28	Stockholders Agreement among the Registrant, Lily Pond Investments, Inc. and Hard Rock Hotel, Inc. (1)	
10.29	Management Agreement between the Registrant and Hard Rock Hotel, Inc. (1)	
10.30	Definitive Agreement between Harveys C.C. Management Company and Mountain City Casino Partners, L.P. (1)	
10.31	Management Agreement between the Registrant and Harveys Wagon Wheel Casino Limited Liability Company (1)	
10.32	Form of Assignment and Assumption Agreement between Mountain City Casino Partners, L.P. and Harveys Wagon Wheel Casino Limited Liability Company (1)	
10.33	Loan Agreement between Harveys Wagon Wheel Casino Limited Liability Company and Mountain City Casino Partners, L.P. (1)	
10.34	Employment Agreement, dated November 29, 1993, between Charles W. Scharer and the Registrant (1)	
10.35	1993 Omnibus Incentive Plan (2)	
10.36	1993 Non-Employee Directors Stock Option Program (2)	
10.37	Form of Deferred Compensation Agreement and Schedule of 1994 Participants (2)	

69

Exhibit Number -----	Description -----	Page ----
10.38	Form of Indemnification Agreement for Directors and Officers and Schedule of Indemnities (2)	
10.39	Loan Agreement among Hard Rock Hotel, Inc., as borrower, the Registrant, as guarantor, First Interstate Bank of Nevada, N.A., as agent, and the several lenders thereunder (2)	

- 10.40 Promissory Note among Hard Rock Hotel, Inc., as borrower, the Registrant, as guarantor, First Interstate Bank of Nevada, N.A., as agent, and the several lenders thereunder (2)
- 10.41 Guaranty of Loan executed by the Registrant (2)
- 10.42 Amendment No. 1 to 1993 Non-Employee Directors Stock Option Program (2)
- 10.43 \$22,200,000 Construction Loan Agreement between Harveys Wagon Wheel Casino Limited Liability Company, as borrower, and the Registrant, as lender (3)
- 10.44 Secured Promissory Note between Harveys Wagon Wheel Casino Limited Liability Company, as maker, and the Registrant, as holder (3)
- 10.45 Deed of Trust, Security Agreement and Financing Agreement among Harveys Wagon Wheel Casino Limited Liability Company, as Grantor, the Public Trustee of the County of Gilpin, State of Colorado, as trustee, and the Registrant, as beneficiary (3)
- 10.46 Security Agreement between Harveys Wagon Wheel Casino Limited Liability Company, as obligor, and the Registrant, as lender (3)
- 10.47 Assignment of Rents, Income and Other Contract Rights between Harveys Wagon Wheel Casino Limited Liability Company, as borrower, and the Registrant, as lender (3)
- 10.48 Subordination Agreement among 150 Rodeo Partners, Inc., the Registrant, and Harveys Wagon Wheel Casino Limited Liability Company (3)
- 10.49 Fifth Amendment to Amended and Restated Loan Agreement, dated November 8, 1994, between the Registrant, and First Interstate Bank of Nevada, N.A., West One Bank, Idaho, Societe Generale, The Daiwa Bank, Limited, United States National Bank of Oregon, U.S. Bank of Nevada and First Security Bank of Idaho, N.A. (4)
- 10.50 First Amendment to Construction Loan Agreement, dated November 1, 1994, between Harveys Wagon Wheel Casino Limited Liability Company and the Registrant (4)
- 10.51 Amended and Restated Secured Promissory Note, dated November 1, 1994, between Harveys Wagon Wheel Casino Limited Liability Company and the Registrant (4)

Exhibit Number -----	Description -----	Page ----
10.52	First Amendment to Deed of Trust, Security Agreement and Financing Statement, dated November 1, 1994, between Harveys Wagon Wheel Casino Limited Liability Company and the Registrant (4)	
10.53	First Amendment to Security Agreement, dated November 1, 1994, between Harveys Wagon Wheel Casino Limited Liability Company and the Registrant (4)	
10.54	First Amendment to Assignment of Rents, Income and Other Contract Rights, dated November 1, 1994, between Harveys Wagon Wheel Casino Limited Liability Company and the Registrant (4)	
10.55	Amended and Restated Subordination Agreement, dated November 1, 1994, by and between 150 Rodeo Partners, Inc. and the Registrant and Harveys Wagon Wheel Casino Limited Liability Company (4)	
10.56	First Amendment to Loan Agreement, dated November 8, 1994, by and among First Interstate Bank of Nevada, N.A., Societe Generale, NBD Bank, N.A., United States National Bank of Oregon, West One Bank, Idaho, First Security Bank of Idaho, N.A., The Daiwa Bank, Limited, and U.S. Bank of Nevada and First Interstate of Nevada, N.A., Hard Rock Hotel, Inc.,	

- and Harveys Wagon Wheel, Inc. (4)
- 10.57 First Amendment to Guaranty of Loan, dated November 8, 1994, between the Registrant and First Interstate Bank of Nevada, N.A., Societe Generale, NBD Bank, N.A., United States National Bank of Oregon, West One Bank, Idaho, First Security Bank of Idaho, N.A., The Daiwa Bank, Limited, and U.S. Bank of Nevada (4)
- 10.58 Employment Agreement dated November 17, 1993, by and between the Registrant and Bob Hall (4)
- 10.59 Employment Agreement dated January 13, 1994, by and between the Registrant and Stephen L. Cavallaro (4)
- 10.60 Excursion Boat Sponsorship and Operations Agreement, dated August 22, 1994, by and between Iowa West Racing Association and Harveys Iowa Management Company, Inc. (4)
- 10.61 Purchase Agreement, dated September 12, 1994, by and between the City of Council Bluffs and Harveys Iowa Management Co. (4)
- 10.62 Commitment Letter, dated January 18, 1995, between the Registrant and First Interstate Bank of Nevada, N.A. (4)

71

Exhibit Number	Description	Page
-----	-----	----
10.63	Form of Deferred Compensation Agreement and Schedule of 1995 Participants (5)	
10.64	Long-term Incentive Plan Guidelines (1994-1996 Performance Period) (5)	
10.65	Short-term Incentive Plan (5)	
10.66	Employment Agreement dated May 9, 1995 by and between the Registrant and Gary Armentrout. (6)	
10.67	Loan Purchase Agreement (with Full Recourse to Seller) dated March 10, 1995 by and between the Registrant ("Sellers") and First Interstate Bank of Nevada, N.A. ("Buyer") (6)	
10.68	Option Agreement dated March 10, 1995 by and between First Interstate Bank of Nevada, N.A. and the Registrant. (6)	
10.69	Employment Agreement dated August 5, 1995, by and between the Registrant and Gary R. Selesner. (7)	
10.70	Employment Agreement dated August 14, 1995, by and between the Registrant and JohnMcLaughlin. (7)	
10.71	Employment Agreement dated August 14, 1995, by and between the Registrant and Kevin Servatius. (7)	
10.72	Employment Agreement dated August 24, 1995, by and between the Registrant and Edward B. Barraco. (7)	
10.73	Employment Agreement dated August 21, 1995, by and between the Registrant and David J. Hurst. (7)	
10.74	Employment Agreement dated August 21, 1995, by and between the Registrant and Lou R. Kelmanson. (7)	
10.75	Reducing Revolving Credit Agreement, dated as of August 14, 1995, by and among the Registrant and Harveys C.C. Management Company, Inc., Harveys Iowa Management Company, Inc., (the "Borrowers") and First Interstate Bank of Nevada, N.A., First Interstate Bank of California, Bank of the West, First Security Bank of Idaho, N.A., Imperial Bank, Norwest Bank of Nebraska, N.A., NBD Bank, Societe Generale, The Daiwa Bank, Limited, U.S. Bank of Nevada, West One Bank, Idaho and Argentbank, (the "Lenders"). (7)	

72

Exhibit

Number	Description	Page
-----	-----	----
10.76	Second Amendment to Loan Agreement, dated November 7, 1995, by and among First Interstate Bank of Nevada, N. A., Societe Generale, NBD Bank, N. A., United States National Bank of Oregon, West One Bank, Idaho, First Security Bank of Idaho, N. A., The Daiwa Bank, Limited, U. S. Bank of Nevada, Hard Rock Hotel, Inc. and Harveys Casino Resorts. (8)	
10.77	Second Amended and Restated Reducing Revolving Credit Promissory Note, dated November 7, 1995 between First Interstate Bank of Nevada, N. A. as Agent Bank and Hard Rock Hotel, Inc. (8)	
10.78	Second Amendment to Guaranty of Loan, dated November 7, 1995, between Harveys Casino Resorts and First Interstate Bank of Nevada, N. A., Societe Generale, NBD Bank, N. A., United State National Bank of Oregon, West One Bank, Idaho, First Security Bank of Idaho, N. A., The Daiwa Bank, Limited and U. S. Bank of Nevada. (8)	
10.79	Employment Agreement, dated October 22, 1995 and effective December 1, 1995 by and between Harveys Casino Resorts and Thomas M. Yturbide. (8)	
10.80	Employment Agreement, dated October 22, 1996 and effective December 1, 1995 by and between Harveys Casino Resorts and Charles W. Scharer. (8)	
10.81	Modification of Employment Agreement, dated November 21, 1995 by and between Harveys Casino Resorts and Richard F. Kudrna, Sr. (8)	
10.82	Harveys Casino Resorts Management Incentive Plan, approved August 8, 1995. (8)	
10.83	Long-term Incentive Plan Guidelines (1995-1997 Performance Period) (8)	
10.84	1996 Omnibus Incentive Plan (10)	
10.85	First Amendment, dated as of May 15, 1996, to Reducing Revolving Credit Agreement by and among the Registrant, Harveys C. C. Management Company, Inc., Harveys Wagon Wheel Casino Limited Liability Company and Harveys Iowa Management Company, Inc. (the "Borrowers"), Wells Fargo Bank, N. A., Bank of the West, First Security Bank of Idaho, N. A., Imperial Bank, Norwest Bank of Nebraska, N. A., NBD Bank, Societe Generale, The Summitomo Bank Limited, Chicago Branch, U. S. Bank of Nevada, West One Bank, Idaho and Argentbank (the "Lenders") (11)	
10.86	Second Amendment, dated as of May 23, 1996, to Reducing Revolving Credit Agreement by and among the Registrant, Harveys C. C. Management Company, Inc., Harveys Wagon Wheel Casino Limited Liability Company and Harveys Iowa Management Company, Inc. (the "Borrowers"), Wells Fargo Bank, N. A., Bank of the West, First Security Bank of Idaho, N. A., Imperial Bank, Norwest Bank of Nebraska, N. A., NBD Bank, Societe Generale, The Summitomo Bank Limited, Chicago Branch, U. S. Bank of Nevada, West One Bank, Idaho and Argentbank (the "Lenders") (11)	

73

Exhibit Number	Description	Page
-----	-----	----
10.87	Release of Guaranty Agreement, dated May 10, 1996, by and among the Registrant, the Lenders, the Agent Bank, the Banks and Hard Rock Hotel, Inc. (13)	
10.88	Third Amendment, dated as of September 30, 1996, to Reducing Revolving Credit Agreement by and among the Registrant, Harveys C.C. Management Company, Inc., Harveys Wagon Wheel Casino Limited Liability Company and Harveys Iowa Management Company, Inc. (the "Borrowers"), Wells Fargo Bank, National Association, U. S. Bank of Nevada, Bank of the West, First Security Bank, N. A., Imperial Bank, Norwest Bank of Nebraska, N. A., NBD Bank, Societe Generale, the Summitomo Bank Limited, Chicago Branch and Agrentbank (the	

"Lenders"). (15)

- 10.89 Certificate of Joinder to General Continuing Subsidiary Guaranty, dated as of September 30,1996, by Harveys L. V. Management Company, Inc., ("Joining Party") and Wells Fargo Bank, National Association ("Beneficiary") under the General Continuing Subsidiary Guarantee dated as of August 14, 1995, made by Reno Projects, Inc. (15)
- 16.1 Grant Thornton LLP's letter regarding a change in certifying accountant (14)
- 21.1 List of Subsidiaries of the Registrant (13)
- 23.1 Consent of Deloitte & Touche LLP (15)
- 23.2 Consent of Grant Thornton LLP (15)
- 27 Financial Data Schedule (15)

-
- (1) Incorporated herein by reference to Registration Statement No. 33-70670
 - (2) Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the period ended February 28,1994
 - (3) Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the period ended May 31, 1994
 - (4) Incorporated herein by reference to Registrant's Annual Report on Form 10-K for the period ended November 30, 1994
 - (5) Incorporated herein by reference to Registrant's Quarterly Report on Form 10-Q for the period ended February 28, 1995
 - (6) Incorporated herein by reference to Registrant's Quarterly Report on Form 10-Q for the period ended May 31, 1995

74

- (7) Incorporated herein by reference to Registrant's Quarterly Report on Form 10-Q for the period ended August 31 1995
- (8) Incorporated herein by reference to Registrant's Annual Report on Form 10-K for the period ended November 30, 1995
- (9) Incorporated herein by reference to Registration Statement No. 333-616
- (10) Incorporated herein by reference to Registration Statement No. 333-3576
- (11) Incorporated herein by reference to Registrant's Quarterly Report on Form 10-Q for the period ended May 31, 1996
- (12) Incorporated herein by reference to Registrant's Current Report on Form 8-K filed June 14, 1996
- (13) Incorporated herein by reference to Registrant's Quarterly Report on Form 10-Q for the period ended August 31, 1996
- (14) Incorporated herein by reference to Registrant's Current Report on Form 8-K filed on July 3, 1996
- (15) Filed herewith

75

THIRD AMENDMENT TO
REDUCING REVOLVING CREDIT AGREEMENT

THIS THIRD AMENDMENT TO REDUCING REVOLVING CREDIT AGREEMENT ("Third Amendment to Credit Agreement") is made and entered into as of the 30th day of September, 1996, by and among HARVEYS CASINO RESORTS, a Nevada corporation ("HCR"), HARVEYS C.C. MANAGEMENT COMPANY, INC., a Nevada corporation ("HCCMC"), HARVEYS WAGON WHEEL CASINO LIMITED LIABILITY COMPANY, a Colorado limited liability company ("HWLLC") and HARVEYS IOWA MANAGEMENT COMPANY, INC., a Nevada corporation ("HIMC" and together with HCR and HCCMC and HWLLC collectively the "Borrowers"), WELLS FARGO BANK, National Association (successor by merger with FIRST INTERSTATE BANK OF NEVADA, N.A. and FIRST INTERSTATE BANK OF CALIFORNIA), U.S. BANK OF NEVADA, BANK OF THE WEST, FIRST SECURITY BANK, N.A. formerly known as FIRST SECURITY BANK OF IDAHO, N.A., IMPERIAL BANK, NORWEST BANK OF NEBRASKA, N.A., NBD BANK, SOCIETE GENERALE, THE SUMITOMO BANK, LIMITED, Chicago Branch and ARGENTBANK (herein together with their respective successors and assigns collectively the "Lenders"), WELLS FARGO BANK, National Association, as the swingline lender (herein in such capacity, together with its successors and assigns, the "Swingline Lender"), WELLS FARGO BANK, National Association, as the issuer of letters of credit hereunder (herein in such capacity, together with its successors and assigns, the "L/C Issuer") and WELLS FARGO BANK, National Association, as administrative and collateral agent for the Lenders, Swingline Lender and L/C Issuer (herein, in such capacity, called the "Agent Bank" and, together with the Lenders, Swingline Lender and L/C Issuer, collectively referred to as the "Banks").

R E C I T A L S :

WHEREAS:

A. HCR, HCCMC, HIMC and Banks (The Sumitomo Bank, Limited, Chicago Branch, having acquired the interest of The Daiwa Bank, Limited by Assignment, Assumption and Consent Agreement dated as of February 2, 1996; Wells Fargo Bank, National Association, having succeeded to the interests of First Interstate Bank of Nevada, N.A. and First Interstate Bank of California by merger; and, U.S. Bank of Nevada having acquired the interest of U.S. Bank of Idaho, formerly known as West One Bank, Idaho concurrently with the Third Amendment Effective Date, as hereinafter defined) entered into a Reducing Revolving Credit Agreement dated as of August 14, 1995 (the "Original Credit Agreement"). Borrowers and Banks

entered into a First Amendment to Reducing Revolving Credit Agreement dated as of May 15, 1996 (the "First Amendment to Credit Agreement") and a Second Amendment to Reducing Revolving Credit Agreement dated as of May 23, 1996 (the "Second Amendment to Credit Agreement" and, together with the Original Credit Agreement and First Amendment to Credit Agreement, collectively the "Existing Credit Agreement").

B. In this Third Amendment to Credit Agreement, all capitalized words and terms shall have the respective meanings and be construed herein as provided in Section 1.01 of the Existing Credit Agreement, as that Section is amended hereby. This Third Amendment to Credit Agreement shall be deemed to incorporate such words and terms as a part hereof in the same manner and with the same effect as if the same were fully set forth herein.

C. The Equity Exchange Effective Date has occurred and the Central City Property is encumbered by the Central City Security Documents in favor of Agent Bank on behalf of Lenders as additional collateral for the Bank Facilities. The Senior Subordinated Notes Effective Date has occurred and Borrowers have received the proceeds thereof. Borrowers and Banks desire to further amend the Existing Credit Agreement for the purposes of (i) reducing the Maximum Availability to One Hundred Fifteen Million Dollars (\$115,000,000.00), (ii) extending the Maturity Date to February 15, 2002, (iii) revising the Aggregate Commitment Reduction Schedule, (iv) amending the Schedule for the Calculation of the Nonusage Percentage, and (v) making additional amendments and modifications to the General Covenants of Borrowers contained in Article V and the Financial Covenants contained in Article VI, together with other amendments and modifications more particularly hereinafter set forth.

NOW, THEREFORE, for good and valuable consideration, the parties hereto agree to amend the Existing Credit Agreement by amending and substituting, as applicable, the amended terms and provisions as hereinafter set forth, which amended terms shall be deemed effective as of the Third Amendment Effective Date.

1. DEFINITIONS. Section 1.01 of the Existing Credit Agreement shall be and is hereby amended to include the following definitions. Those terms which are currently defined by Section 1.01 of the Existing Credit Agreement and which are also defined below shall be defined as set forth below as of the Third Amendment Effective Date:

- 2 -

"Adjusted HCR Contingent Liabilities" shall mean the cumulative aggregate of all HCR Contingent Liabilities less each HCR Contingent Liability relating to a Recourse New Venture, in which such Recourse New Venture has achieved a New Venture Interest Coverage Ratio of 1.75 to 1.0, or greater, for four (4) consecutive Fiscal Quarters for so long as: (a) such Recourse New Venture maintains a New Venture Interest Coverage Ratio of 1.75 to 1.0, or greater, on a rolling four (4) Fiscal Quarter basis, or (b) if after having achieved a New Venture Interest Coverage Ratio of 1.75 to 1.0, or greater, on a rolling four (4) Fiscal Quarter basis such Recourse New Venture has a New Venture Interest Coverage Ratio as of the end of no more than two (2) consecutive Fiscal Quarters, each determined on a rolling four (4) Fiscal

Quarter basis, of less than 1.75 to 1.0 but greater than 1.50 to 1.0.

"Agent Bank" shall mean WFB, successor by merger to FINV, in its capacity as administrative and collateral agent for Lenders, Swingline Lender and L/C Issuer.

"Aggregate Commitment" shall mean reference to the aggregate amount committed by Lenders for advance to or on behalf of Borrowers as Borrowings under the Credit Facility in the principal amount of One Hundred Fifteen Million Dollars (\$115,000,000.00) as of the Third Amendment Effective Date, subject to reduction on each Reduction Date by the amount of the applicable Scheduled Reduction, as set forth on the Aggregate Commitment Reduction Schedule.

"Aggregate Commitment Reduction Schedule" shall mean the Aggregate Commitment Reduction Schedule marked Schedule 2.01(c) affixed to the Third Amendment to Credit Agreement and by this reference incorporated herein and made a part hereof, setting forth the Scheduled Reductions and Maximum Scheduled Balance as of each Reduction Date under the Credit Facility, which shall fully supersede and restate the Aggregate Commitment Reduction Schedule affixed to the Original Credit Agreement as Schedule 2.01(c).

"Annualized EBITDA" shall mean, as of each date of determination, collective reference to the aggregate of Borrower Consolidation Annualized EBITDA, Hard Rock Annualized Earnings, Majority New Venture Annualized EBITDA and Minority New Venture Annualized Advances.

"Borrower Consolidation Annualized EBITDA" shall mean with reference to the Hotel/Casino Facilities, as of the last day of each Fiscal Quarter (a) Borrower Consolidation EBITDA for the fiscal period consisting of that Fiscal Quarter

- 3 -

and the three (3) immediately preceding Fiscal Quarters, or (b) with respect to any such fiscal period in which the Iowa Riverboat/Hotel Facilities have been open for business to the public for at least one (1) full Fiscal Quarter but less than four (4) full Fiscal Quarters, such amount as is necessary to reflect the annualization of EBITDA attributable to the Iowa Riverboat/Hotel Facilities using the following calculations:

(i) if the Iowa Riverboat/Hotel Facilities have been open for business to the public for one (1) full Fiscal Quarter, the EBITDA attributable to the Iowa Riverboat/Hotel Facilities for that Fiscal Quarter shall be multiplied by four (4);

(ii) if the Iowa Riverboat/Hotel facilities have been open for business to the public for two (2) full Fiscal Quarters, the EBITDA attributable to the Iowa Riverboat/Hotel Facilities for those Fiscal

Quarters shall be multiplied by two (2); and

(iii) if the Iowa Riverboat/Hotel Facilities have been open for business to the public for three (3) full Fiscal Quarters, the EBITDA attributable to the Iowa Riverboat/Hotel Facilities of such business operation for those Fiscal Quarters shall be multiplied by four-thirds (4/3).

"Borrower Consolidation EBIT" shall mean with reference to the Hotel/Casino Facilities on a consolidated basis, for any fiscal period under review, the sum of (i) Net Income for that period (exclusive of any interest income received from any New Venture Subsidiary), plus (ii) any one-time non-Cash loss and pre-opening expenses reflected in such Net Income, minus (iii) any one-time non-Cash gain reflected in such Net Income, plus (iv) Interest Expense for that period, plus (v) the aggregate amount of federal and state taxes on or measured by income for that period (whether or not payable during that period), in each case determined in accordance with GAAP and, in the case of items (iv) and (v), only to the extent deducted in the determination of Net Income for that period.

"Borrower Consolidation EBITDA" shall mean with reference to the Hotel/Casino Facilities on a consolidated basis, for any fiscal period, the sum of (i) Borrower Consolidation EBIT for that period, plus (ii) depreciation and amortization for that period attributable to the Borrower Consolidation, to the extent deducted in the determination of Net Income, determined in accordance with GAAP.

- 4 -

"Borrowers" shall mean collective reference to HCR, HCCMC, HWLLC and HIMC.

"Compliance Certificate" shall mean a compliance certificate as described in Section 5.08(f) which is more particularly described on "Exhibit F", affixed to the Third Amendment to Credit Agreement and by this reference incorporated herein and made a part hereof which shall fully supersede and restate the form of Compliance Certificate affixed to the Original Credit Agreement as Exhibit F.

"Credit Agreement" shall mean the Existing Credit Agreement as amended by the Third Amendment to Credit Agreement, as it may be further amended, modified, extended, renewed or restated from time to time.

"Deeds of Trust" shall mean collective reference to the Tahoe Deed of Trust, the California Deed of Trust and the Central City Deed of Trust.

"Equity Exchange Effective Date" shall mean the date upon which the Equity Exchange was consummated and the Mountain City Interests were acquired by

HCR, which date occurred on April 30, 1996.

"Existing Credit Agreement" shall have the meaning set forth in Recital Paragraph A to the Third Amendment to Credit Agreement.

"Financial Covenants" shall mean collective reference to the financial covenants set forth in Article VI of this Credit Agreement.

"Financing Statements" shall mean the Uniform Commercial Code Financing Statements required to be filed with (i) the Office of the Secretary of State of Nevada, (ii) the Office of the Recorder of Douglas County, Nevada, (iii) the Office of the Secretary of State of Iowa, (iv) the Office of the Recorder of Pottawattamie County, Iowa, (v) the Office of the Secretary of State of the State of Colorado and (vi) the Office of the Recorder of Gilpin County, Colorado, in order to perfect the security interest granted to Agent Bank under the Mortgages and other Security Documentation in accordance with the requirements of the Uniform Commercial Code.

"First Amendment to Credit Agreement" shall have the meaning set forth in Recital Paragraph A to the Third Amendment to Credit Agreement.

- 5 -

"First Reduction Date" shall mean October 1, 1998.

"Fourth Reduction Date" shall mean October 1, 2001.

"HCR Contingent Liabilities" shall mean collective reference to the sum of the Contingent Liabilities relating to all agreements, undertakings and/or arrangements by which any member of the Borrower Consolidation guaranties, endorses or otherwise becomes a guarantor or surety or is contingently liable upon the Indebtedness of or upon contingent assessments for additional capitalization and/or Investment in any Person which is not a member of the Borrower Consolidation, including, without limitation, in any New Venture Subsidiary, Recourse New Venture or the Hard Rock Hotel.

"Hotel/Casino Facilities" shall mean collective reference to: (i) the Tahoe Hotel/Casino Facility, (ii) Iowa Riverboat/Hotel Facilities; and (iii) the Central City Hotel/Casino Facility; all together with any future expansions thereof, related thereto or used in connection therewith, and all appurtenances thereto.

"Majority New Venture Subsidiary" shall mean a wholly owned Subsidiary of HCR (other than HIMC, HCCMC, HWWLLC or HLVMC) that is a majority partner, stockholder or co-owner of a New Venture.

"Maturity Date" shall mean February 15, 2002.

"Mortgages" shall mean collective reference to: (i) the Tahoe Deed of Trust, California Deed of Trust, (ii) Iowa Mortgage and Iowa Ship Mortgage; and (iii) the Central City Deed of Trust.

"New Venture Interest Coverage Ratio" shall mean with reference to any Recourse New Venture, as of the end of any Fiscal Quarter, the ratio resulting by dividing EBIT by Interest Expense, determined with reference to the Fiscal Quarter under review, together with the most recently ended three (3) preceding Fiscal Quarters on a rolling four (4) Fiscal Quarter basis.

"Nonusage Fee" shall have: (i) the meaning ascribed to such term in Section 2.10(b) of the Existing Credit Agreement until the occurrence of the Third Amendment Effective Date, and (ii) on and after the Third Amendment Effective Date, the meaning ascribed to such term in Section 2.10(b) as amended by Paragraph 5 of the Third Amendment to Credit Agreement.

- 6 -

"Original Credit Agreement" shall have the meaning set forth in Recital Paragraph A to the Third Amendment to Credit Agreement.

"Person" means an individual, firm, corporation, trust, association, partnership, joint venture, tribunal or other entity.

"Pricing Certificate" shall mean a pricing certificate as described in Section 5.08(c) which is more particularly described on "Exhibit G", affixed to the Third Amendment to Credit Agreement and by this reference incorporated herein and made a part hereof which shall fully supersede and restate the form of Pricing Certificate affixed to the Original Credit Agreement as Exhibit G.

"Prime Rate" shall mean the rate of interest per annum which WFB from time to time identifies and publicly announces as its prime rate and is not necessarily, for example, the lowest rate of interest which WFB collects from any borrower or group of borrowers.

"Real Properties" shall mean collective reference to: (i) the Tahoe Real Property, the California Greenbelt Property, the Tahoe Greenbelt Property, the Park Cattle Property, (ii) the Iowa Real Property; and (iii) the Central City Property.

"Schedule of Lenders' Proportions in Credit Facility" shall mean the Schedule of Lenders' Proportions in Credit Facility, a copy of which is marked "Schedule 2.01(a)", affixed to the Third Amendment to Credit Agreement and by this reference incorporated herein and made a part hereof, setting forth the respective Syndication Interest and maximum amount to be funded under the Credit Facility by each Lender, which shall fully supersede and restate the Schedule of Lenders' Proportions in Credit Facility affixed to the Original Credit Agreement as Schedule 2.01(a).

"Second Amendment to Credit Agreement" shall have the meaning set forth in Recital Paragraph A to the Third Amendment to Credit Agreement.

"Second Reduction Date" shall mean October 1, 1999.

"Security Documentation" shall mean collective reference to the Tahoe Security Documents, the Iowa Security Documents, the Central City Security Documents, the Security Agreement and Pledge of Stock, the Trademark Security

- 7 -

Agreement and all other instruments and agreements to be executed by or on behalf of Borrowers or other applicable persons, in favor of Agent Bank on behalf of the Lenders, securing repayment of the Bank Facilities.

"Significant Subsidiary" shall mean HLVMC, RPI and each New Venture Subsidiary having a book value or fair market value in excess of One Million Dollars (\$1,000,000.00), but shall not include HRHI, HCCMC, HWLLC and HIMC.

"Subsidiary Guarantor" shall mean HLVMC, RPI and each Significant Subsidiary which has executed the Subsidiary Guaranty or a Certificate of Joinder to the Subsidiary Guaranty.

"Syndication Interest" shall mean the proportionate interest of each Lender in the Credit Facility as set forth on the Schedule of Lenders' Proportions in Credit Facility.

"TFCC Ratio" as of the end of any Fiscal Quarter shall mean with reference to the HCR Consolidation:

The sum of net profit after tax, plus Interest Expense (accrued and capitalized), plus depreciation and amortization expense, plus operating lease expense, plus rental expense, minus dividends declared, minus actual Capital Expenditures (not including (a) budgeted project costs of the Iowa Riverboat/Hotel Facilities paid in 1995 and 1996 and (b) costs of acquisition of the Central City Parking Garage Property and construction of a parking garage facility thereon) in each case for such Fiscal Quarter and the three (3) Fiscal Quarters immediately preceding such Fiscal Quarter,

Divided by (/)

The sum of Interest Expense (accrued and capitalized), plus operating lease expense, plus rental expense in each case for such Fiscal Quarter and the three (3) Fiscal Quarters immediately preceding such Fiscal Quarter, plus the current portion of long

reduction of principal as all or any portion of a Scheduled Reduction under the Credit Facility), plus the current portion of Capitalized Lease Liabilities, as of the end of such Fiscal Quarter under review.

"Third Amendment Effective Date" shall mean September 30, 1996, subject to the satisfaction of each of the Conditions Precedent set forth in Paragraph 14 of the Third Amendment to Credit Agreement.

"Third Amendment Fee" shall have the meaning ascribed to such term in paragraph 13 of the Third Amendment to Credit Agreement.

"Third Amendment to Credit Agreement" shall mean the Third Amendment to Reducing Revolving Credit Agreement dated as of September 30, 1996, executed by and among Borrowers and Banks.

"Third Reduction Date" shall mean October 1, 2000.

"Title Insurance Policies" shall mean collective reference to the Iowa Title Insurance Policy, the Tahoe Title Insurance Policy and the Central City Title Insurance Policy.

"WFB" shall mean Wells Fargo Bank, National Association.

2. VOLUNTARY REDUCTION OF MAXIMUM SCHEDULED BALANCE. Pursuant to Section 2.01(c) of the Existing Credit Agreement, Borrowers hereby irrevocably and permanently declare a Voluntary Reduction of the Maximum Permitted Balance to One Hundred Fifteen Million Dollars (\$115,000,000.00) as of the Third Amendment Effective Date and Borrowers and Banks do hereby agree by the execution of the Third Amendment to Credit Agreement that the Maximum Permitted Balance shall be and is hereby reduced to One Hundred Fifteen Million Dollars (\$115,000,000.00) as of the Third Amendment Effective Date.

3. RESTATEMENT OF SECTION 2.01(A). Subsection 2.01(a) shall be and is hereby amended and restated in its entirety as follows:

"a. Subject to the conditions and upon the terms hereinafter set forth and in accordance with the terms and provisions of the Note, Lenders severally agree in the proportions set forth on the

and by this reference incorporated herein and made a part hereof, to lend and advance Borrowings to Borrowers, up to the Maximum Permitted Balance, such amounts as Borrowers may request by Notice of Borrowing duly executed by an Authorized Officer and delivered to Agent Bank from time to time as provided in Section 2.03. "

4. RESTATEMENT OF SECTION 2.07(b). Subsection 2.07(b) of the Existing Credit Agreement shall be and is hereby amended and restated in its entirety as follows:

"b. All such amounts payable by Borrowers shall be made to Agent Bank at its office located at Wells Fargo Bank, Gaming Division, One East First Street, Reno, Nevada 89501, Att'n: Rob Medeiros, V.P. If such payment is received by Agent Bank prior to 11:00 o'clock a.m., Agent Bank shall credit Borrowers with such payment on the day so received and shall disburse to the appropriate Lenders on the same day such Lenders' Pro Rata Shares of payments relating to the Credit Facility based on the respective Syndication Interests, in immediately available funds. If such payment is received by Agent Bank after 11:00 o'clock a.m., Agent Bank shall credit Borrowers with such payment as of the next Banking Business Day and disburse to the appropriate Lenders on the next Banking Business Day such Lenders' Pro Rata Shares of such payment relating to the Credit Facility based on their respective Syndication Interests, in immediately available funds. Any payment on the Credit Facility made by Borrowers to Agent Bank pursuant to the terms of this Credit Agreement or the Note for the account of Lenders shall constitute payment to the appropriate Lenders. If the Note or any payment required to be made thereon or hereunder, is or becomes due and payable on a day other than a Banking Business Day, the due date thereof shall be extended to the next succeeding Banking Business Day and interest thereon shall be payable at the then applicable rate during such extension.

- 10 -

5. RESTATEMENT OF SUBSECTION 2.10(b). Subsection 2.10(b) shall be and is hereby amended and restated in its entirety as follows:

"b. Borrowers shall pay a quarterly nonusage fee (the "Nonusage Fee") for the account of Lenders in the proportions of their respective Syndication Interests based on the Funded Debt to EBITDA Ratio, determined as of the end of the immediately prior Fiscal Quarter with reference to the Borrower Consolidation, in accordance with the following schedule:

FUNDED DEBT TO EBITDA
RATIO

NONUSAGE
PERCENTAGE

Less than or equal to 2.5 to 1.0	.375%
Greater than 2.5 to 1.0 but less than 3.5 to 1.0	.425%
Equal to or greater than 3.5 to 1.0	.500%

The Nonusage Fee shall be calculated as of the last day of each Fiscal Quarter as the product of (i) the applicable Nonusage Percentage determined as set forth above multiplied by (ii) as of each Fiscal Quarter end, the daily average during such Fiscal Quarter of the Maximum Permitted Balance less the daily average during such Fiscal Quarter of the Funded Outstandings and less the daily average during such Fiscal Quarter of the amount of L/C Exposure attributable to all outstanding Standby Letters of Credit, all on the basis of a three hundred sixty-five (365), or three hundred sixty-six (366) when appropriate, day year. Each Nonusage Fee shall be payable in arrears on a quarterly basis on or before ten (10) Banking Business Days following each applicable Fiscal Quarter end and upon termination of this Credit Agreement, whether at maturity, by acceleration or otherwise. Each Nonusage Fee shall be distributed by Agent Bank to Lenders in proportion to their respective Syndication Interests in the Credit Facility."

- 11 -

6. RESTATEMENT OF SECTION 5.23. INVESTMENTS AND ADVANCES. As of the Third Amendment Effective Date, Section 5.23 of the Original Credit Agreement entitled "Investments and Advances", as previously amended by Section 5 of the First Amendment to Credit Agreement, shall be and is hereby amended and restated in its entirety as follows:

"Section 5.23. INVESTMENTS AND ADVANCES. Other than Investments, Advances and Contingent Liabilities made or incurred as of the Closing Date or otherwise consented to by Requisite Lenders, no member of the Borrower Consolidation shall make any further Investments or Advances or incur any further Contingent Liabilities in connection with or relating to HLVMC, HRHI, the Hard Rock Hotel, or any of them. Additionally, no member of the Borrower Consolidation shall make any Advances or Investments or incur Contingent Liabilities other than as specifically permitted below or by Section 5.25:

- a. Investments: (i) in Cash Equivalents, or (ii) pursuant to and consistent with the HCR Investment Policy which Investments are first approved by Requisite Lenders.

b. New Venture Investments by HCR and Contingent Liabilities in respect thereof so long as: (i) the cumulative aggregate of all New Venture Investments plus the aggregate of Adjusted HCR Contingent Liabilities (exclusive of the Colorado Slot Lease Guaranty) as of any date of determination shall not exceed Forty Million Dollars (\$40,000,000.00) at any time prior to Bank Facility Termination, and (ii) the construction plans and specifications, all material construction contracts and construction agreements, construction budgets and projections and construction time tables for construction and completion of each New Venture is first approved by Agent Bank upon the consent of Requisite Lenders.

c. On and after the Third Amendment Effective Date, Investments and Advances between and among the Borrower Consolidation.

- 12 -

d. Advances received by HCR from any of its Subsidiaries.

e. Investments received in settlement of arms-length disputes with non-Affiliates of Borrowers.

f. Investments received as consideration for asset sales made in arms-length transactions for fair market consideration."

7. RESTATEMENT OF SECTION 5.24. ADDITIONAL INDEBTEDNESS. As of the Third Amendment Effective Date, Section 5.24 of the Original Credit Agreement entitled "Additional Indebtedness", as previously amended by Section 6 of the First Amendment to Credit Agreement shall be and is hereby amended and restated in its entirety as follows:

"Section 5.24. ADDITIONAL INDEBTEDNESS. The Borrower Consolidation will not provide or incur any Additional Indebtedness, except as specifically permitted hereinbelow as follows:

a. Secured Interest Rate Hedges up to the maximum aggregate notional principal amount of Seventy-Five Million Dollars (\$75,000,000.00) at any time outstanding;

b. Incurrence of secured purchase money Indebtedness and Capital Lease Liabilities up to the maximum aggregate principal amount of Fifteen Million Dollars (\$15,000,000.00) at any time outstanding;

c. HCR Contingent Liabilities to the extent permitted

under Section 5.23 of the Credit Agreement; and

d. The Senior Subordinated Notes. Provided, however, that notwithstanding anything contained in the Existing Credit Agreement to the contrary, none of Borrowers nor any Subsidiary of Borrowers shall, except with the prior written consent of the Requisite Lenders, purchase, redeem, retire or otherwise acquire for value, or set apart any money for a sinking, defeasance or other analogous fund for, the purchase, redemption, retirement or other acquisition of, or make any

- 13 -

voluntary payment or prepayment of the principal of or interest on, or any other amount owing in respect of, the Senior Subordinated Notes, except for regularly scheduled payments of principal and interest in respect of such Senior Subordinated Notes required pursuant to the instruments evidencing such Senior Subordinated Notes. Any breach of the covenant set forth in the preceding sentence shall be deemed to be an Event of Default under the Credit Agreement.

8. RESTATEMENT OF SECTION 5.28. CONSOLIDATION, MERGER, SALE OF ASSETS, ETC. As of the Third Amendment Effective Date, Section 5.28 of the Original Credit Agreement entitled "Consolidation, Merger, Sale of Assets, etc." shall be and is hereby amended and restated in its entirety as follows:

"Section 5.28. CONSOLIDATION, MERGER, SALE OF ASSETS, ETC. Borrowers will not wind up, liquidate or dissolve their affairs or enter into any transaction of merger or consolidation (other than between members of the Borrower Consolidation), or convey, sell, lease or otherwise dispose of (or agree to do any of the forgoing at any future time) all or any material part of their respective property or assets, except that (i) the Borrowers may make sales of inventory in the ordinary course of business, (ii) the Borrowers may, in the ordinary course of business, sell equipment which is uneconomic or obsolete as provided in Section 5.01, and (iii) HCR may sell any Subsidiary (other than HLVMC, HIMC, HWLLC or HCCMC) in exchange for its fair market value."

9. RESTATEMENT OF SECTION 5.30. NO TRANSFER OF OWNERSHIP. As of the Third Amendment Effective Date, Section 5.30 of the Original Credit Agreement entitled "No Transfer of Ownership" shall be and is hereby amended and restated in its entirety as follows:

"Section 5.30. NO TRANSFER OF OWNERSHIP. HCR shall not transfer or hypothecate its ownership interests in HLVMC, HIMC, HCCMC, HWLLC or any Significant Subsidiary except in connection with the Security Documentation. Provided, however, HCR shall have the right to sell any Significant Subsidiary (other than HLVMC, HIMC, HWLLC or HCCMC)

in exchange for its fair market value. This

- 14 -

provision shall not be effective until it is approved by any necessary Gaming Authorities."

10. RESTATEMENT OF SECTION 6.01. TFCC RATIO. As of the Third Amendment Effective Date, Section 6.01 of the Original Credit Agreement entitled "TFCC Ratio" shall be and is hereby amended and restated in its entirety as follows:

"Section 6.01. TFCC RATIO. The HCR Consolidation shall maintain a minimum TFCC Ratio as of the end of each Fiscal Quarter of greater than or equal to: (a) 1.3 to 1.0 from the Third Amendment Effective Date through November 30, 1998, (b) 1.4 to 1.0 from December 1, 1998 through November 30, 1999, and (c) 1.5 to 1.0 from December 1, 1999 through the Maturity Date."

11. RESTATEMENT OF SECTION 6.02. FUNDED DEBT TO EBITDA RATIO. As of the Third Amendment Effective Date, Section 6.02 of the Original Credit Agreement entitled "Funded Debt to EBITDA Ratio" shall be and is hereby amended and restated in its entirety as follows:

"Section 6.02. FUNDED DEBT TO EBITDA RATIO. The HCR Consolidation shall maintain a Funded Debt to EBITDA ratio as of the end of each Fiscal Quarter of less than or equal to: (a) 4.00 to 1.00 from the Third Amendment Effective Date through November 30, 1997, (b) 3.50 to 1.0 from December 1, 1997, through November 30, 1998, and (c) 2.75 to 1.0 from December 1, 1998 and continuing until the Maturity Date."

12. RESTATEMENT OF SECTION 6.04. HCR CONSOLIDATION TANGIBLE NET WORTH. As of the Third Amendment Effective Date, Section 6.04 of the Original Credit Agreement entitled "HCR Consolidation Tangible Net Worth" shall be and is hereby amended and restated in its entirety as follows:

"Section 6.04. HCR CONSOLIDATION TANGIBLE NET WORTH. The HCR Consolidation shall maintain as of the last day of each Fiscal Quarter occurring subsequent to the Third Amendment Effective Date, a HCR Consolidation Tangible Net Worth equal to or greater than the sum of (a) One Hundred Twenty-Six Million Three Hundred Sixty Thousand One Hundred Eight Dollars

- 15 -

(\$126,360,108.00), plus (b) seventy-five percent (75%) of Net Income after taxes realized as of each Fiscal Quarter end occurring after the Third Amendment Effective Date (without reduction for any net losses), plus (c) seventy-five percent (75%) of the proceeds (net of reasonable expenses) of any and all additional Equity Offerings made after the Third Amendment Effective Date."

13. AMENDMENT FEE. On or before one (1) Banking Business Day prior to the Third Amendment Effective Date, Borrowers shall pay to Agent Bank a non-refundable fee (the "Third Amendment Fee") in the amount agreed between Agent Bank and Borrowers by side letter agreement, which shall be retained by Agent Bank or distributed to Lenders as agreed by separate side letter agreements executed between Agent Bank and each Lender.

14. CONDITIONS PRECEDENT TO THIRD AMENDMENT EFFECTIVE DATE. The occurrence of the Third Amendment Effective Date is subject to Agent Bank having received the following documents and payments, in each case in a form and substance reasonably satisfactory to Banks:

a. Execution and delivery by each of the Borrowers and Banks of fourteen (14) counterpart originals of the Third Amendment to Credit Agreement.

b. Delivery by HLVMC to Agent Bank of a duly authorized and executed Certificate of Joinder to the Subsidiary Guaranty in substantially the form of Exhibit A to the Subsidiary Guaranty.

c. Delivery to Agent Bank of a copy of a corporate resolution of: (i) each of the Borrowers authorizing the execution and delivery of this Third Amendment to Credit Agreement and each document, agreement and instrument to be executed and delivered in connection herewith, and (ii) HLVMC authorizing the execution and delivery of the Certificate of Joinder to the Subsidiary Guaranty.

d. Payment by Borrowers and receipt by Agent Bank of the Third Amendment Fee.

e. Reimbursement to Agent Bank by Borrowers for the reasonable attorneys' fees of Henderson & Nelson

- 16 -

incurred in connection with the preparation and execution of the Third Amendment to Credit Agreement; and

f. Such other documents, instruments, legal opinions or conditions as may reasonably be required by Agent Bank.

15. REPRESENTATIONS AND WARRANTIES. To induce Banks to enter into this Third Amendment to Credit Agreement, Borrowers hereby: (i) ratify and reaffirm the representations and warranties set forth in Article IV of the Original Credit Agreement; (ii) warrant and represent that each such representation and warranty shall be true and correct as of the Third Amendment Effective Date, other than representations and warranties which expressly speak as of a different date which shall be true and correct as of such date; and (iii) represent and warrant that, as of the Third Amendment Effective Date, no Default or Event of Default has occurred and remains continuing.

16. NO OTHER CHANGES. Except as specifically set forth herein, the Existing Credit Agreement shall remain unchanged and in full force and effect.

17. GOVERNING LAW. This Third Amendment to Credit Agreement shall be governed by the internal laws of the State of Nevada without reference to conflicts of laws principles.

18. COUNTERPARTS. This Third Amendment to Credit Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any party hereto may execute this Third Amendment to Credit Agreement by signing any such counterpart.

19. ADDITIONAL/REPLACEMENT SCHEDULES AND EXHIBITS ATTACHED. The following replacement Schedules and Exhibits are attached hereto and incorporated herein and made a part of the Credit Agreement as follows:

Schedule 2.01(a) - Schedule of Lenders' Proportions in Credit Facility

Schedule 2.01(c) - Aggregate Commitment Reduction Schedule

Exhibit F - Compliance Certificate

Exhibit G - Pricing Certificate

- 17 -

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to Credit Agreement to be executed as of the day and year first above written.

BORROWERS:

HARVEYS CASINO RESORTS,
a Nevada corporation

By /s/Charles W. Scharer

Charles W. Scharer,
President

By /s/John J. McLaughlin

John J. McLaughlin,
Treasurer

Address:

Highway 50
P.O Box 128
Stateline, Nevada 89449

Telephone: (702) 586-6856
Facsimile: (702) 588-0601

HARVEYS C.C.
MANAGEMENT COMPANY, INC.,
a Nevada corporation

By /s/Charles W. Scharer

Charles W. Scharer,
President

By /s/Diane Shevlin

William B. Ledbetter,
Secretary (Assistant)

Address:

Highway 50
P.O Box 128
Stateline, Nevada 89449

Telephone: (702) 586-6856
Facsimile: (702) 588-0601

HARVEYS IOWA
MANAGEMENT COMPANY., INC.,
a Nevada corporation

By /s/Charles W. Scharer

Charles W. Scharer,
President

By /s/Diane Shevlin

William B. Ledbetter,
Secretary (Assistant)

Address:

Highway 50
P.O Box 128
Stateline, Nevada 89449

Telephone: (702) 586-6856
Facsimile: (702) 588-0601

HARVEYS WAGON WHEEL CASINO
LIMITED LIABILITY COMPANY

By /s/Charles W. Scharer

Charles W. Scharer,
Board of Managers

By /s/Thomas M. Yturbide

Thomas M. Yturbide,
Board of Managers

Address:

Highway 50
P.O. Box 128
Stateline, NV 89449

Telephone: (702) 586-6856
Facsimile: (702) 588-0601

BANKS:

WELLS FARGO BANK,
National Association,
Agent Bank, Lender, Swingline
Lender and L/C Issuer

By /s/Joe Brady

Title V.P.

Address:

One East First Street
Reno, Nevada 89501

Telephone: (702) 334-5633
Facsimile: (702) 334-5637

BANK OF THE WEST,
Lender

By /s/Dale Kabsar

Title Regional Vice President

Address:

1450 Treat Boulevard
Walnut Creek, CA 94596

Telephone: (510) 942-8675
Facsimile: (510) 256-8276

FIRST SECURITY BANK, N.A.,
formerly known as
FIRST SECURITY BANK OF
IDAHO, N.A., Lender

By /s/David P. Williams

Title V.P.

Address:

15 East 100 South
2nd Floor
Salt Lake City, UT 84111

Telephone: (801) 246-5540
Facsimile: (801) 246-5532

IMPERIAL BANK,
Lender

By /s/Steven K. Johnson

Title SENIOR VICE PRESIDENT

By /s/John F. Farrace

Title ASSISTANT VICE PRESIDENT

Address:

9920 S. La Cienega
Ingelwood, CA 90301

Telephone: (310) 417-5657
Facsimile: (310) 338-6160

- 21 -

NORWEST BANK OF NEBRASKA,
N.A., Lender

By /s/Deanne Winger

Title AVP

Address:

1919 Douglas Street
Omaha, NE 68102

Telephone: (402) 536-2576
Facsimile: (402) 536-2251

NBD BANK,
Lender

By /s/James Junker

Title Authorized Agent

Address:

National Banking Division
Mezzanine Level
611 Woodward Ave.
Detroit, MI 48226

Telephone: (313) 225-1424
Facsimile: (313) 225-2649

- 22 -

SOCIETE GENERALE,
Lender

By /s/Donald L. Schubert

Title Vice President

Address:

2029 Century Park East
Suite 2900
Los Angeles, CA 90067

Telephone: (310) 788-7104
Facsimile: (310) 551-1537

THE SUMITOMO BANK, LIMITED,
Chicago Branch,
Lender

By /s/David M. Lawrence

Title Vice President & Manager

By /s/Judith M. Bresnen

Title Vice President

Address:

800 W. Sixth Street
Suite 950
Los Angeles, CA 90017

Telephone: (213) 623-7847
Facsimile: (213) 623-4629

- 23 -

U.S. BANK OF NEVADA,
Lender

By /s/Kurt Imerman

Title Vice President

Address:

One East Liberty Street
2nd Floor
Reno, NV 89501

Telephone: (702) 688-6589
Facsimile: (702) 688-6597

ARGENTBANK,
Lender

By /s/Lionel J. Lagarde, Jr.

Title Vice-President

Address:

203 West 2nd Street
Thibodaux, LA 70301

Telephone: (504) 447-0552
Facsimile: (504) 447-0604

- 24 -

SCHEDULE OF LENDER'S PROPORTIONS
IN CREDIT FACILITY

NAME OF LENDER	MAXIMUM AMOUNT OF PRINCIPAL	PROPORTIONATE SYNDICATION INTEREST IN CREDIT FACILITY
Wells Fargo Bank, National Association	\$42,933,295.00	37.33330%
U.S. Bank of Nevada	15,333,341.00	13.33334%
Bank of the West	7,666,670.50	6.66667%
First Security Bank, N.A.	7,666,670.50	6.66667%
Imperial Bank	7,666,670.50	6.66667%
Norwest Bank Nebraska, N.A.	7,666,670.50	6.66667%
NBD Bank	7,666,670.50	6.66667%
Societe Generale	7,666,670.50	6.66667%
The Sumitomo Bank, Limited	7,666,670.50	6.66667%
ArgentBank	3,066,670.50	2.66667%
TOTAL	\$115,000,000.00	100%

SCHEDULE 2.01(a) TO
THIRD AMENDMENT TO
REDUCING REVOLVING
CREDIT AGREEMENT

AGGREGATE COMMITMENT REDUCTION SCHEDULE

REDUCTION DATE	SCHEDULED REDUCTION	MAXIMUM PERMITTED BALANCE
Closing Date	-0-	\$115,000,000.00
First Reduction Date - October 1, 1998	\$11,500,000.00	\$103,500,000.00
Second Reduction Date - October 1, 1999	\$11,500,000.00	\$ 92,000,000.00
Third Reduction Date - October 1, 2000	\$17,250,000.00	\$ 74,750,000.00
Fourth Reduction Date - October 1, 2001	\$17,250,000.00	\$ 57,500,000.00
Maturity Date - February 15, 2002	\$57,500,000.00	Zero (\$0.00)
		(Remaining unpaid principal balance fully due and payable)

SCHEDULE 2.01(c) TO
THIRD AMENDMENT TO
REDUCING REVOLVING
CREDIT AGREEMENT

COMPLIANCE CERTIFICATE

TO: WELLS FARGO BANK, National Association,
as Agent Bank

Reference is made to that certain Reducing Revolving Credit Agreement, dated as of August 14, 1995, as amended by First Amendment to Reducing Revolving Credit Agreement dated as of May 15, 1996, Second Amendment to Reducing Revolving Credit Agreement dated as of May 23, 1996, and Third Amendment to Reducing Revolving Credit Agreement dated September 30, 1996 (collectively, as further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among HARVEYS CASINO RESORTS, a Nevada corporation, HARVEYS C.C. MANAGEMENT COMPANY, INC., a Nevada corporation, HARVEYS WAGON WHEEL CASINO LIMITED LIABILITY COMPANY, a Colorado limited liability company, and HARVEYS IOWA MANAGEMENT COMPANY, INC., a Nevada corporation (collectively the "Borrowers"), the Lenders therein named (each, together with their respective successors and assigns, individually being referred to as a "Lender" and collectively as the "Lenders"), WELLS FARGO BANK, National Association, as the swingline lender (herein in such capacity, together with its successors and assigns, the "Swingline Lender"), WELLS FARGO BANK, National Association, as the issuer of letters of credit hereunder (herein in such capacity, together with its successors and assigns, the "L/C Issuer") and WELLS FARGO BANK, National Association, as administrative and collateral agent for the Lenders, Swingline Lender and L/C Issuer (herein, in such capacity, called the "Agent Bank" and, together with the Lenders, Swingline Lender and L/C Issuer, collectively referred to as the "Banks"). Terms defined in the Credit Agreement and not otherwise defined in this Compliance Certificate ("Certificate") shall have the meanings defined and described in the Credit Agreement. This Certificate is delivered in accordance with Section 5.08(f) of the Credit Agreement.

I.

COMPLIANCE WITH AFFIRMATIVE COVENANTS

A. FF&E (Section 5.01): Amount of FF&E sold or disposed not replaced by FF&E of equivalent value and utility.

\$ _____

EXHIBIT F

B. MODIFICATION OF LEASES (Section 5.03): Describe any modifications or amendments to the Park Cattle Lease, Nevada Greenbelt Lease, California Greenbelt Lease, Friendship Sublease and/or Westwood Lease. State whether or not such modifications or amendments have been consented to by Requisite Lenders as required under Section 5.03 of the Credit Agreement.

C. LIENS FILED (Section 5.04): Report any liens filed against the Hotel/Casino Facilities and the amount claimed in such liens. Describe actions being taken with respect thereto.

D. OTHER REAL PROPERTY (Section 5.06): Other than the Real Properties presently encumbered by the Mortgages, attach a legal description of any other real property or rights to the use of real property which is used in any material manner in connection with the Hotel/Casino Facilities and describe such use. Attach evidence that such real property or rights to the use of such real property has been added as Collateral under the Credit Agreement.

E. PERMITTED ENCUMBRANCES (Section 5.11): Describe any mortgage, deed of trust, pledge, lien, security interest, encumbrance, attachment, levy, distraint or other judicial process or burden affecting the Collateral other than the Permitted Encumbrances. Describe any matters being contested in the manner described in Sections 5.04 and 5.10 of the Credit Agreement.

- 2 -

F. SIGNIFICANT SUBSIDIARIES (Section 5.16): List on a separate sheet the name and state of incorporation or origination of each Significant Subsidiary, other than Significant Subsidiaries which have been disclosed in prior Compliance Certificates.

G. SUITS OR ACTIONS (Section 5.17): Describe on a separate sheet any matters requiring advice to Banks under Section 5.17.

H. NOTICE OF HAZARDOUS MATERIALS (Section 5.21): State whether or not to your knowledge there are any matters of which Banks should be advised under Section 5.21. If so, attach a detailed summary of such matter(s).

II.

COMPLIANCE WITH NEGATIVE COVENANTS

A. INVESTMENTS AND ADVANCES
(Section 5.23):

a. Set forth the amount and a brief description of each Investment, Advance and/or Contingent Liability made or incurred in connection with or relating to HLVMC, HRHI, the Hard Rock Hotel

b. Set forth aggregate amount of Investments in Cash Equivalents

\$

c. Set forth aggregate amount of Investments made pursuant to the HCR Investment Policy

\$

- 3 -

Were each of these Investments first approved by Requisite Lenders?
(Yes/No)

If no, describe on a separate sheet each Investment not so approved.

d. With respect to New Venture Investments:

(i) List on a separate sheet the name, location and a brief description of each New Venture and the amount of all Investments and Advances made by HCR in or to each such New Venture or New Venture Subsidiary -----

(ii) Set forth the aggregate amount of all New Venture Investments
\$

(iii) Set forth the aggregate amount of Adjusted HCR Contingent Liabilities
\$

(iv) Total New Venture Investments and Adjusted HCR Contingent Liabilities
\$

(v) Maximum amount of New Venture Investments and Adjusted HCR Contingent Liabilities permitted under Section 5.23b is \$40,000,000

e. Set forth the aggregate amount of Investments received in settlement of disputes with non-affiliates and/or in consideration for asset sales

\$

- 4 -

f. Set forth the aggregate amount of Advances received by HCR from its Subsidiaries (other than from members of the Borrower Consolidation)
\$ _____

B. ADDITIONAL INDEBTEDNESS (Section 5.24) With reference to the Borrower Consolidation:

a. Set forth the aggregate amount of Secured Interest Rate Hedges
\$ _____

Maximum permitted under Section 5.24a \$ 75,000,000.00

b. Set forth the aggregate amount of secured purchase money Indebtedness and Capital Lease Liabilities
\$ _____

Maximum permitted under Section 5.24b \$ 15,000,000.00

c. Set forth and describe on a separate sheet any matter of non-compliance, if any, with Section 5.24d

C. CONTINGENT LIABILITIES (Section 5.25):

a. Set forth the amount of any Contingent Liabilities incurred by HCCMC, HWLLC and/or HIMC, other than in the ordinary course of business. None allowed.
\$ _____

b. With respect to HCR Contingent Liabilities:

(i) Set forth the aggregate amount of all HCR Contingent Liabilities
\$ _____

(ii) On a separate sheet identify each Recourse New Venture and the amount of HCR Contingent Liabilities attributable to it

(iii) Submit a copy of all documentation regarding each HCR Contingent Liability which has not been previously delivered to Lenders for review

(iv) State whether any Recourse New Venture has achieved an Interest Coverage Ratio of 1.75 to 1.0, or greater, for four (4) consecutive Fiscal Quarters or if having achieved an Interest Coverage Ratio of 1.75 to 1.0 has failed to achieve an Interest Coverage Ratio of 1.75 to 1.0 for the Fiscal Quarter under review. If answered in the affirmative, on a separate sheet set forth the applicable Interest Coverage Ratio calculations.
(Yes/No)

(v) Set forth the amount of HCR Contingent Liability to be added or deducted, as applicable to determine the amount of Adjusted HCR Contingent Liabilities.

D. OTHER LIENS (Section 5.26): On a separate sheet describe in detail any and all liens, encumbrances and/or negative pledges NOT permitted under Section

- 6 -

E. DIVIDENDS (Section 5.27). On a separate sheet describe in detail any and all dividends or distributions on capital stock paid or declared during the period under review by HCR.

F. NO MERGER (Section 5.28): On a separate sheet describe any and all mergers, consolidations and/or asset sales not permitted under Section 5.28.

G. TRANSACTIONS WITH AFFILIATES (Section 5.29): On a separate sheet describe any and all transactions with Affiliates and/or Subsidiaries not permitted under Section 5.29.

H. NO TRANSFER OF OWNERSHIP (Section 5.30): On a separate sheet describe any and all transfers and/or hypothecations not permitted by Section 5.30.

I. LIMITATION ON CONSOLIDATED TAX LIABILITY (Section 5.31): Describe on a separate sheet any matters requiring advice to Banks under Section 5.31.

- J. ERISA (Section 5.32): Describe on a separate sheet any matters requiring advice to Banks under Section 5.32. -----
- K. MARGIN REGULATIONS (Section 5.33): Set forth the amount(s) of and describe on a separate sheet of paper any proceeds of Base Rate Loans or LIBOR Loans, as the case may be, used by Borrowers to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock. \$ -----

- 7 -

- L. NO HIMC OR HCCMC SUBSIDIARIES (Section 5.34): On a separate sheet, describe any Subsidiaries created by HIMC or HCCMC. State whether or not the creation of such Subsidiaries has been consented to by the Requisite Lenders as required under Section 5.34 of the Credit Agreement. -----

III.

FINANCIAL COVENANTS OF BORROWER

- A. TFCC RATIO (Section 6.01): The following line items and TFCC Ratio to be calculated with respect to the HCR Consolidation with respect to each Fiscal Quarter and the most recently ended three (3) preceding Fiscal Quarters on a rolling four (4) Fiscal Quarter basis unless otherwise noted:

Net profit after tax	\$	-----
Plus Interest Expense (accrued and capitalized)	+ \$	-----
Plus depreciation and amortization expense	+ \$	-----
Plus operating lease expense	+ \$	-----
Plus rental expense	+ \$	-----
Minus dividends declared	- \$	-----
Minus actual Capital Expenditures (not including (a) project costs of the Iowa Riverboat/Hotel Facilities paid in 1995 and 1996 and (b) costs of acquisition of the Central City Parking Garage Property and construction of a parking garage facility thereon)	- \$	

TOTAL \$ -----

Divided (DIVIDED BY) by the sum of: DIVIDED BY

- 8 -

Interest Expense (accrued and capitalized) \$ -----

Plus operating lease expense + \$ -----

Plus rental expense + \$ -----

Plus the current portion of long term Indebtedness (including all payments actually paid in reduction of principal as all or any portion of a Scheduled Reduction under the Credit Facility) as of the end of the Fiscal Quarter under review + \$ -----

Plus current portion of Capitalized Lease Liabilities as of the end of the Fiscal Quarter under review + \$ -----

TOTAL \$ -----

TFCC Ratio :1 -----

Minimum required:

- (i) 1.3 to 1.0 from the Third Amendment Effective Date through November 30, 1998
- (ii) 1.4 to 1.0 from December 1, 1998 through November 30, 1999, and
- (iii) 1.5 to 1.0 from December 1, 1999 through the Maturity Date

B. FUNDED DEBT TO EBITDA RATIO (Section 6.02): To be calculated as the greater

of: (a) as of the last day of the Fiscal Quarter set forth above, or
(b) the average as of the last day of each calendar month comprising such
Fiscal Quarter:

The Funded Outstandings on the Credit Facility \$ -----

Plus the Swingline Outstandings on the Swingline Facility + \$ -----

- 9 -

Plus the L/C Exposure on the L/C Facility + \$ -----

Plus the total, as of the last day of the Fiscal Quarter under review, of
both the long-term Indebtedness and current portions of all other long-term
Indebtedness, including only those HCR Contingent Liabilities which are
Adjusted HCR Contingent Liabilities + \$ -----

Plus the total, as of the last day of the Fiscal Quarter under review, of
both the long-term Capitalized Lease Liabilities and current portion of
Capitalized Lease Liabilities + \$ -----

TOTAL FUNDED DEBT \$ -----

Divided (DIVIDED BY) by: DIVIDED BY

ANNUALIZED EBITDA

BORROWER CONSOLIDATION ANNUALIZED EBITDA

To be calculated on a cumulative basis with respect to the Fiscal Quarter
under review and the most recently ended three (3) preceding Fiscal
Quarters on a rolling four (4) Fiscal Quarter basis:

Net Income (exclusive of any interest income received from any New Venture
Subsidiary) \$ -----

Plus any one-time non-Cash loss reflected in Net Income + \$ -----

Minus any one-time non-Cash gain reflected in Net Income + \$ -----

Plus Interest Expense to the extent deducted in the determination of Net
Income + \$ -----

- 10 -

Plus Federal and state taxes on or measured by income for the period under
review (whether or not payable during such period) to the extent deducted
in the determination of Net Income + \$ -----

Minus corporate expense of HCR to the extent not deducted in the
determination of Net Income for the period under review - \$ -----

Plus depreciation and amortization to the extent deducted in the
determination of Net Income + \$ -----

Total Borrower Consolidation Annualized EBITDA \$ -----

HARD ROCK ANNUALIZED EARNINGS

To be calculated on a cumulative basis with respect to the Fiscal Quarter
under review and the most recently ended three (3) preceding Fiscal
Quarters on a rolling four (4) Fiscal Quarter basis. If less than four (4)
Fiscal Quarters, set forth the number of Fiscal Quarters upon which such
calculations are made:

Net profit before tax \$ -----

Plus pre-opening expenses to the extent deducted in the determination of
net profit for such period + \$ -----

Total net profit before tax and pre-opening expenses = \$ -----

Times 40% x .40
= \$ -----

Plus amount of Hard Rock Management Fees received in Cash by HLVMC for such
period, but only to the extent deducted in the determination of net profit
for such period + \$ -----

Total \$ -----

If above calculations are based on one Fiscal Quarter, multiply above by 4
x 4

\$ -----

If above calculations are based on two Fiscal Quarters multiply above by 2
x 2

\$ -----

If above calculations are based on three Fiscal Quarters multiply above by
4/3 x 4

DIVIDED BY 3

\$ -----

Total Hard Rock Annualized Earnings \$ -----

MAJORITY NEW VENTURE ANNUALIZED EBITDA

To be calculated on a cumulative basis with respect to the Fiscal Quarter under review and the most recently ended three (3) preceding Fiscal Quarters on a rolling four (4) Fiscal Quarter basis. If less than four (4) Fiscal Quarters, set forth the number of Fiscal Quarters upon which such calculations are made: -----

Net Income \$ -----

Plus any one-time non-Cash loss and pre-opening expenses reflected in Net
Income + \$ -----

Minus any one-time non-Cash gain reflected in Net Income - \$ -----

Plus Interest Expense (accrued and capitalized) to the extent deducted in
the determination of Net Income + \$

- 12 -

Plus Federal and state taxes on or measured by income to the extent
deducted in the determination of Net Income + \$

Plus depreciation and amortization to the extent deducted in the
determination of Net Income + \$

Total \$

Times the percentage of ownership held in the New Venture by HCR or the
applicable Majority New Venture Subsidiary x %

\$

Plus amount of management fees, if any, received in Cash by the Majority
New Venture Subsidiary for such period, but only to the extent deducted in
the determination of Net Income + \$

Total \$

If above calculations are based on one Fiscal Quarter, multiply above by 4

x 4

\$

If above calculations are based on two Fiscal Quarters multiply above by 2

x 2

\$

If above calculations are based on three Fiscal Quarters multiply above by
4/3 x 4

DIVIDED BY 3

\$

Total Majority New Venture
Annualized EBITDA

\$

MINORITY NEW VENTURE ANNUALIZED ADVANCES

To be calculated on a cumulative basis with respect to the Fiscal Quarter under review and the most recently ended three (3) preceding Fiscal Quarters on a rolling four (4) Fiscal Quarter basis. If less than four (4) Fiscal Quarters, set forth the number of Fiscal Quarters upon which such calculations are made:

Aggregate amount of Minority New Venture Advances made by each Minority New Venture Subsidiary to HCR which are received by HCR in Cash during such period

\$

Total

\$

If above calculations are based on one Fiscal Quarter, multiply above by 4

x 4

\$

If above calculations are based on two Fiscal Quarters multiply above by 2

x 2

\$

If above calculations are based on three Fiscal Quarters multiply above by 4/3

x 4
DIVIDED BY 3

\$

Total Minority New Venture Annualized Advances

\$

TOTAL ANNUALIZED EBITDA (Borrower Consolidation Annualized EBITDA plus Hard Rock Annualized Earnings plus Majority New Venture Annualized EBITDA plus Minority New Venture Annualized Advances) \$

Funded Debt to EBITDA Ratio :1.0

Maximum permitted:

- (i) 4.00 to 1.0 from the Third Amendment Effective Date through November 30, 1997,
- (ii) 3.50 to 1.00 from December 1, 1997 through November 30, 1998, and
- (iii) 2.75 to 1.0 from December 1, 1998 through the Maturity Date.

C. CAPITAL EXPENDITURE LIMITATION (Section 6.03): Set forth the amount of Capital Expenditures made during the Fiscal Year under review:

a.	Total Capital Expenditures	\$

b.	Minimum required annual Capital Expenditures for Fiscal Year under review	\$ 4,000,000.00
c.	Amount carried forward from prior Fiscal year	\$

d.	Total minimum required Capital Expenditures (b plus c)	\$

e.	Amount of Capital Expenditures permitted to carry forward to next Fiscal Year (d minus a) (May not exceed \$4,000,000.00.)	\$

D. HCR CONSOLIDATION TANGIBLE NET WORTH (Section 6.04): To be calculated with respect to the HCR Consolidation as of the end of the Fiscal Quarter under review:

HCR Consolidation Assets	\$	-----
Less HCR Consolidation Intangibles	- \$	-----
Less HCR Consolidation Liabilities	- \$	-----
HCR Consolidation Tangible Net Worth	\$	-----

- 15 -

MINIMUM REQUIRED

\$126,360,108.00

Plus, 75% of Net Income realized as of each Fiscal Quarter end (without reduction for any net losses) + \$ -----

Plus, 75% of the net proceeds of any additional Equity Offerings + \$ -----

Minimum required HCR Consolidation Tangible Net Worth \$ -----

IV.

NONUSAGE FEE CALCULATION

(Section 2.10b): to be calculated with respect to the Fiscal Quarter under review:

a.	Daily average of Maximum Permitted Balance	\$	-----
b.	Less daily average of Funded Outstandings	- \$	-----
c.	Less daily average of amount of L/C Exposure	- \$	-----
d.	Amount of Nonusage (a minus b, minus c)	\$	-----

e. Funded Debt to EBITDA Ratio (See III B above) :1

f. Applicable Nonusage Percentage based on Funded Debt to EBITDA Ratio %

-----	-----
< = 2.5:1 = .375%	
-	
> = 2.5:1 but < = 3.5:1 = .425%	
-	
< = 3.5:1 = .500%	
-	
-----	-----

g. Gross Nonusage Fee \$
(d times f) -----

- 16 -

h. Number of days in Fiscal Quarter under review -----

i. Nonusage Fee for Fiscal Quarter under review \$
(g DIVIDED BY 365 x h) -----

V.

PERFORMANCE OF OBLIGATIONS

A review of the activities of Borrowers during the fiscal period covered by the attached financial statements has been made under my supervision with a view to determining whether during such fiscal period Borrowers performed and observed all of their obligations under the Loan Documents. Except as described in an attached document or in an earlier Certificate, to the best of my knowledge, as of the date of this Certificate there is no Default or Event of Default has occurred or remains continuing.

VI.

NO MATERIAL ADVERSE CHANGE

To the best of my knowledge, except as described in an attached document or in an earlier Certificate, no Material

Adverse Effect has occurred since the date of the most recent Certificate delivered to the Banks.

DATED this ____ day of _____, 199__.

HARVEYS CASINO RESORTS, a Nevada corporation, HARVEYS C.C. MANAGEMENT COMPANY, INC., a Nevada corporation, HARVEYS WAGON WHEEL CASINO LIMITED LIABILITY COMPANY, a Colorado limited liability company and HARVEYS IOWA MANAGEMENT COMPANY, INC., a Nevada corporation

Name: _____

Title: _____
Authorized Officer

Print
Name: _____

PRICING CERTIFICATE

TO: WELLS FARGO BANK, National Association,
as Agent Bank

Reference is made to that certain Reducing Revolving Credit Agreement, dated as of August 14, 1995, as amended by First Amendment to Reducing Revolving Credit Agreement dated as of May 15, 1996, Second Amendment to Reducing Revolving Credit Agreement dated as of May 23, 1996, and Third Amendment to Reducing Revolving Credit Agreement dated September 30, 1996 (collectively, as

further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among HARVEYS CASINO RESORTS, a Nevada corporation, HARVEYS C.C. MANAGEMENT COMPANY, INC., a Nevada corporation, HARVEYS WAGON WHEEL CASINO LIMITED LIABILITY COMPANY, a Colorado limited liability company, and HARVEYS IOWA MANAGEMENT COMPANY, INC., a Nevada corporation (collectively the "Borrowers"), the Lenders therein named (each, together with their respective successors and assigns, individually being referred to as a "Lender" and collectively as the "Lenders"), WELLS FARGO BANK, National Association, as the swingline lender (herein in such capacity, together with its successors and assigns, the "Swingline Lender"), WELLS FARGO BANK, National Association, as the issuer of letters of credit hereunder (herein in such capacity, together with its successors and assigns, the "L/C Issuer") and WELLS FARGO BANK, National Association, as administrative and collateral agent for the Lenders, Swingline Lender and L/C Issuer (herein, in such capacity, called the "Agent Bank" and, together with the Lenders, Swingline Lender and L/C Issuer, collectively referred to as the "Banks"). Terms defined in the Credit Agreement and not otherwise defined in this Pricing Certificate ("Certificate") shall have the meanings defined and described in the Credit Agreement. This Certificate is delivered in accordance with Section 5.08(c) of the Credit Agreement for the purpose of determining the Applicable Margin.

The period under review is the Fiscal Quarter ended [INSERT DATE] together with, unless otherwise indicated, the three (3) immediately preceding Fiscal Quarters on a rolling four (4) Fiscal Quarter basis.

The change in the Applicable Margin, if any, shall be effective on [INSERT DATE WHICH IS THE FIRST (1ST)

EXHIBIT G

DAY OF THE THIRD (3RD) MONTH IMMEDIATELY FOLLOWING THE FISCAL QUARTER END SET FORTH ABOVE] .

The Applicable Margins, based on the calculations for the Borrower Consolidation as set forth below, for the period described above are:

Prime Rate Margin	%

LIBO Rate Margin	%

- B. FUNDED DEBT TO EBITDA RATIO
(Section 6.02): To be calculated as the greater of: (a) as of the last day of the Fiscal Quarter set forth above, or (b) the average as of the

last day of each calendar month
comprising such Fiscal Quarter:

The Funded Outstandings on the Credit Facility	\$	-----
Plus the Swingline Outstandings on the Swingline Facility	+ \$	-----
Plus the L/C Exposure on the L/C Facility	+ \$	-----
Plus the total, as of the last day of the Fiscal Quarter under review, of both the long-term Indebtedness and current portions of all other long-term Indebtedness, including only those HCR Contingent Liabilities which are Adjusted HCR Contingent Liabilities	+ \$	-----
Plus the total, as of the last day of the Fiscal Quarter under review, of both the long-term Capitalized Lease Liabilities and current portion of Capitalized Lease Liabilities	+ \$	-----
TOTAL FUNDED DEBT	\$	-----

Divided (DIVIDED BY) by:

DIVIDED BY

- 2 -

ANNUALIZED EBITDA

BORROWER CONSOLIDATION ANNUALIZED EBITDA

To be calculated on a cumulative basis with respect to the Fiscal Quarter under review and the most recently ended three (3) preceding Fiscal Quarters on a rolling four (4) Fiscal Quarter basis:

Net Income (exclusive of any interest income received from any New Venture Subsidiary)	\$	-----
Plus any one-time non-Cash loss reflected in Net Income	+ \$	-----
Minus any one-time non-Cash gain reflected in Net Income	+ \$	

Plus Interest Expense to the extent deducted in the determination of Net Income	+ \$

Plus Federal and state taxes on or measured by income for the period under review (whether or not payable during such period) to the extent deducted in the determination of Net Income	+ \$

Minus corporate expense of HCR to the extent not deducted in the determination of Net Income for the period under review	- \$

Plus depreciation and amortization to the extent deducted in the determination of Net Income	+ \$

Total Borrower Consolidation Annualized EBITDA	\$

- 3 -

HARD ROCK ANNUALIZED EARNINGS

To be calculated on a cumulative basis with respect to the Fiscal Quarter under review and the most recently ended three (3) preceding Fiscal Quarters on a rolling four (4) Fiscal Quarter basis. If less than four (4) Fiscal Quarters, set forth the number of Fiscal Quarters upon which such calculations are made:

Net profit before tax	\$

Plus pre-opening expenses to the extent deducted in the determination of net profit for such period	+ \$

Total net profit before tax and pre-opening expenses	= \$

Times 40%	x .40
	= \$

Plus amount of Hard Rock Management Fees received in Cash by HLVMC for such period, but only to the extent deducted in the determination of net profit for such period + \$

Total \$

If above calculations are based on one Fiscal Quarter, multiply above by 4
x 4
\$

If above calculations are based on two Fiscal Quarters multiply above by 2
x 2
\$

- 4 -

If above calculations are based on three Fiscal Quarters multiply above by 4/3
x 4
DIVIDED BY 3
\$

Total Hard Rock Annualized Earnings \$

MAJORITY NEW VENTURE ANNUALIZED EBITDA

To be calculated on a cumulative basis with respect to the Fiscal Quarter under review and the most recently ended three (3) preceding Fiscal Quarters on a rolling four (4) Fiscal Quarter basis. If less than four (4) Fiscal Quarters, set forth the number of Fiscal Quarters upon which such calculations are made: -----

Net Income \$

Plus any one-time non-Cash loss and pre-opening expenses reflected in Net Income + \$

Minus any one-time non-Cash gain reflected in Net Income	-	\$	

Plus Interest Expense (accrued and capitalized) to the extent deducted in the determination of Net Income	+	\$	

Plus Federal and state taxes on or measured by income to the extent deducted in the determination of Net Income	+	\$	

Plus depreciation and amortization to the extent deducted in the determination of Net Income	+	\$	

Total		\$	-----
Times the percentage of ownership held in the New Venture by HCR or the applicable Majority New Venture Subsidiary	x		%

		\$	-----

Plus amount of management fees, if any, received in Cash by the Majority New Venture Subsidiary for such period, but only to the extent deducted in the determination of Net Income	+	\$	

Total		\$	-----

If above calculations are based on one Fiscal Quarter, multiply above by 4

	x	4	

		\$	-----

If above calculations are based on two Fiscal Quarters multiply above by 2

	x	2	

\$

If above calculations are based on three Fiscal Quarters multiply above by
4/3

x 4
DIVIDED BY 3

\$

Total Majority New Venture
Annualized EBITDA

\$

MINORITY NEW VENTURE ANNUALIZED ADVANCES

To be calculated on a cumulative basis with respect to the Fiscal Quarter
under review and the most recently ended three (3) preceding Fiscal
Quarters on a rolling four (4) Fiscal Quarter basis. If less than four (4)
Fiscal Quarters, set forth the number of Fiscal Quarters upon which such
calculations are made: -----

Aggregate amount of Minority New Venture Advances made by each Minority New
Venture Subsidiary to HCR which are received by HCR in Cash during such
period

\$

Total

\$

If above calculations are based on one Fiscal Quarter, multiply above by 4

x 4

\$

If above calculations are based on two Fiscal Quarters multiply above by 2

x 2

\$

If above calculations are based on three Fiscal Quarters multiply above by
4/3

x 4
DIVIDED BY 3

\$

Total Minority New Venture Annualized Advances

\$

TOTAL ANNUALIZED EBITDA (Borrower Consolidation Annualized EBITDA plus Hard
Rock Annualized Earnings plus Majority New Venture Annualized EBITDA plus
Minority New Venture Annualized Advances)

\$

- 7 -

FUNDED DEBT TO EBITDA RATIO

:1.0

DATED this ___ day of _____, 199__.

HARVEYS CASINO RESORTS, a
Nevada corporation, HARVEYS
C.C. MANAGEMENT COMPANY,
INC., a Nevada corporation,
HARVEYS WAGON WHEEL CASINO
LIMITED LIABILITY COMPANY,
a Colorado limited
liability company and
HARVEYS IOWA MANAGEMENT
COMPANY, INC., a Nevada
corporation

Name: _____

Title: _____
Authorized Officer

Print

Name : _____

- 8 -

CERTIFICATE OF JOINDER
TO
GENERAL CONTINUING SUBSIDIARY GUARANTY

THIS CERTIFICATE OF JOINDER is executed as of September 30, 1996, by Harveys L.V. Management Company, Inc., a Nevada corporation ("Joining Party"), and delivered to Wells Fargo Bank, National Association, successor by merger to First Interstate Bank of Nevada, N.A., Agent Bank, as beneficiary ("Beneficiary") under the General Continuing Subsidiary Guaranty (the "Subsidiary Guaranty") dated as of August 14, 1995, made by Reno Projects, Inc., a Nevada corporation (each a "Guarantor", collectively "Guarantors") in favor of the Beneficiary. Terms used but not defined in this Certificate of Joinder shall have the meanings defined for those terms or incorporated by reference in the Subsidiary Guaranty.

R_E_C_I_T_A_L_S:

A. The Subsidiary Guaranty was executed by the Guarantors in favor of the Beneficiary as Agent Bank for the benefit of the Banks that are parties to that certain Reducing Revolving Credit Agreement dated as of August 14, 1995, as amended by First Amendment to Reducing Revolving Credit Agreement dated as of May 15, 1996, Second Amendment to Reducing Revolving Credit Agreement dated as of May 23, 1996 and Third Amendment to Reducing Revolving Credit Agreement dated concurrently herewith (collectively, as amended, modified or restated from time to time, the "Credit Agreement"), by and among Harveys Casino Resorts, a Nevada corporation, Harveys C.C. Management Company, Inc., a Nevada corporation and Harveys Iowa Management Company, Inc., a Nevada corporation (collectively "Borrowers" and individually "Borrower"), the Banks which are parties thereto and Wells Fargo Bank, National Association, as Agent Bank for the Banks.

B. Joining Party has become a Significant Subsidiary of Harveys Casino Resorts, Inc. and as such is required pursuant to Section 5.16 of the Credit Agreement to become a Guarantor.

C. Joining Party expects to realize direct and indirect benefits as a result of the availability to Borrowers of the Bank Facilities under the Credit Agreement.

AGREEMENT

1. By this Certificate of Joinder, Joining Party shall and does hereby become and constitutes a "Guarantor" under and pursuant to Paragraph 22 of the Subsidiary Guaranty. Joining Party agrees that, upon its execution hereof, it

is a Guarantor under the Subsidiary Guaranty with respect to all Guaranteed Obligations of Borrowers heretofore or hereafter incurred under the Loan Documents, and will be jointly and severally bound by all terms, conditions, and duties applicable to a Guarantor under the Subsidiary Guaranty to the same extent as if Joining Party had originally executed the Subsidiary Guaranty on the Closing Date.

2. The effective date of this Certificate of Joinder is September 30, 1996.

"JOINING PARTY":

HARVEYS L.V. MANAGEMENT
COMPANY, INC., a Nevada
corporation

By /s/ Charles W. Scharer

Charles W. Scharer,
President

Address:

Highway 50
P.O. Box 128
Stateline, NV 89449

Telephone: (702) 586-6756
Facsimile: (702) 588-0601

ACKNOWLEDGED:

WELLS FARGO BANK,
National Association,
Agent Bank,
Beneficiary

By /s/ Joe Brady

Title V. P.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 33-75932 and No. 333-08983 of Harveys Casino Resorts on Forms S-8 of our report dated January 9, 1997, appearing in this Annual Report of Form 10-K of Harveys Casino Resorts for the year ended November 30, 1996.

DELOITTE & TOUCHE LLP

Reno, Nevada
January 9, 1997

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have issued our report dated January 12, 1996, accompanying the consolidated financial statements incorporated by reference of Harveys Casino Resorts on Form 10-K for the year ended November 30, 1996. We hereby consent to the incorporation by reference of said report in the Registration Statement of Harveys Casino Resorts on Forms S-8 (File No. 33-75932, effective March 2, 1994 and File No. 333-08983, effective July 26, 1996).

GRANT THORNTON LLP

Reno, Nevada
February 26, 1997

Exhibit 23.2

<TABLE> <S> <C>

<ARTICLE> 5

<S>	<C>
<PERIOD-TYPE>	12-MOS
<FISCAL-YEAR-END>	NOV-30-1996
<PERIOD-START>	DEC-01-1995
<PERIOD-END>	NOV-30-1996
<CASH>	21,121
<SECURITIES>	470
<RECEIVABLES>	9,048
<ALLOWANCES>	288
<INVENTORY>	3,321
<CURRENT-ASSETS>	41,148
<PP&E>	427,885
<DEPRECIATION>	112,977
<TOTAL-ASSETS>	393,768
<CURRENT-LIABILITIES>	14,435
<BONDS>	181,354
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	98
<OTHER-SE>	149,665
<TOTAL-LIABILITY-AND-EQUITY>	393,768
<SALES>	46,254
<TOTAL-REVENUES>	247,749
<CGS>	16,411
<TOTAL-COSTS>	126,019
<OTHER-EXPENSES>	87,709
<LOSS-PROVISION>	906
<INTEREST-EXPENSE>	14,099
<INCOME-PRETAX>	19,605
<INCOME-TAX>	7,791
<INCOME-CONTINUING>	11,814
<DISCONTINUED>	0
<EXTRAORDINARY>	522
<CHANGES>	0
<NET-INCOME>	11,292
<EPS-PRIMARY>	1.16
<EPS-DILUTED>	1.16

</TABLE>