SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1994

OR

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

Commission File No. 1-10410

THE PROMUS COMPANIES INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	I.R.S. No. 62-1411755
(State of Incorporation)	(I.R.S. Employer Identification No.)

1023 Cherry Road
Memphis, Tennessee 38117
(Address of principal executive offices)
(901) 762-8600
(Registrant's telephone number, including area code)

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

Yes X No

At March 31, 1994, there were outstanding 102,346,082 shares of the Company's Common Stock.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited consolidated condensed financial statements of The Promus Companies Incorporated (Promus or the Company), a Delaware corporation, have been prepared in accordance with the instructions to Form 10-Q, and therefore do not include all information and notes necessary for complete financial statements in conformity with generally accepted accounting principles. The results for the periods indicated are unaudited, but reflect all adjustments (consisting only of normal recurring adjustments) which management considers necessary for a fair presentation of operating results. Results of operations for interim periods are not necessarily indicative of a full year of operations. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Promus' 1993 Annual Report to Stockholders.

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)

(In thousands, except share amounts)	March 31, 1994	Dec. 31, 1993
ASSETS		
Current assets		
Cash and cash equivalents	$ 54,960	$ 61,962
Receivables, including notes receivable of $4,206 and $2,197, less allowance for doubtful accounts of $10,964 and $10,864	44,600	47,448
Deferred income taxes	23,011	21,024
Supplies	12,519	12,996
Prepayments and other	21,623	20,128
Total current assets	156,713	163,558
Land, buildings, riverboats and equipment	1,866,994	1,824,433
Less: accumulated depreciation	(504,624)	(486,231)
	1,362,370	1,338,202
Investments in and advances to nonconsolidated affiliates	77,361	70,050
Deferred costs and other	230,843	221,308
	$1,827,287	$1,793,118
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 48,518	$ 60,530
Construction payables	8,235	26,345
Accrued expenses	165,907	162,969
Current portion of long-term debt	2,153	2,160
Total current liabilities	224,813	252,004
Long-term debt	853,894	839,804
Deferred credits and other	93,800	86,829
Deferred income taxes	63,943	63,460
	1,236,450	1,242,097
Minority interest	23,012	14,984
Commitments and contingencies (Notes 5 and 6)		
Stockholders' equity		
Common stock, $0.10 par value, authorized - 360,000,000 shares, outstanding - 102,346,082 and 102,258,442 shares (net of 8,942 and 25,251 shares held in treasury)	10,235	10,226
Capital surplus	348,982	344,197
Retained earnings	214,575	187,203
Deferred compensation related to restricted stock	(5,967)	(5,589)
	567,825	536,037
	$1,827,287	$1,793,118

See accompanying Notes to Consolidated Condensed Financial Statements.

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

(In thousands, except per share amounts)	First Quarter Ended March 31, 1994	March 31, 1993
Revenues		
Casino	$243,010	$166,180
Rooms	51,110	57,172
Food and beverage	38,406	33,196
Franchise and management fees	15,820	12,920
Other	26,439	21,427
Less: casino promotional allowances	(28,998)	(21,688)
Total revenues	345,787	269,207
Operating expenses		
Departmental direct costs		
Casino	112,634	82,637
Rooms	21,792	25,047
Food and beverage	20,185	16,939
Depreciation of buildings, riverboats and equipment	21,392	18,208
Other	84,373	71,254
Total operating expenses	260,376	214,085
	85,411	55,122
Property transactions	(198)	(265)
Operating income	85,213	54,857
Corporate expense	(5,538)	(6,709)
Interest expense, net of interest capitalized	(25,737)	(27,945)
Interest and other income	431	356
Income before income taxes and minority interest	54,369	20,559
Provision for income taxes	(22,427)	(8,594)
Minority interest	(4,570)	-
Income before extraordinary item	27,372	11,965
Extraordinary loss on extinguishment of debt, net of tax benefit of $679	-	(1,009)
Net income	$ 27,372	$ 10,956
Earnings per share before extraordinary item	$ 0.27	$ 0.12
Extraordinary item, net	-	(0.01)
Earnings per share	$ 0.27	$ 0.11
Average common shares outstanding	102,907	102,059

See accompanying Notes to Consolidated Condensed Financial Statements.

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In thousands)	First Quarter Ended March 31, 1994	March 31, 1993
Cash flows from operating activities		
Net income	$ 27,372	$ 10,956
Adjustments to reconcile net income to cash flows from operating activities		
Extraordinary item, before income taxes	-	1,688
Depreciation and amortization	27,182	23,282
Other noncash items	717	5,344
Minority interest share of net income	4,570	-
Net losses of and distributions from nonconsolidated affiliates	4,373	732
Net losses from property transactions	163	120
Net change in long-term accounts	285	(1,261)
Net change in working capital accounts	569	2,249
Tax indemnification payments to Bass	(4,282)	(157)
Cash flows provided by operating activities	60,949	42,953
Cash flows from investing activities		
Land, buildings, riverboats and equipment additions	(45,644)	(30,852)
Decrease in construction payables	(18,110)	-
Investments in and advances (to) from nonconsolidated affiliates	(12,652)	46
Other	(3,222)	(4,898)
Cash flows used in investing activities	(79,628)	(35,704)
Cash flows from financing activities		
Net borrowings under Revolving Credit Facility	15,000	-
Proceeds from issuance of senior subordinated notes, net of issue costs of $4,000	-	196,000
Debt retirements	(989)	(204,261)
Minority interest (distributions) contributions	(2,334)	2,001
Cash flows provided by (used in) financing activities	11,677	(6,260)
Net change in cash and cash equivalents	(7,002)	989
Cash and cash equivalents, beginning of period	61,962	43,756
Cash and cash equivalents, end of period	$ 54,960	$ 44,745

See accompanying Notes to Consolidated Condensed Financial Statements.

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
MARCH 31, 1994
(UNAUDITED)

Note 1 - Basis of Presentation

Promus is a hospitality company with two primary business segments: casino entertainment and hotels. Promus owns and operates casino entertainment hotels and riverboats under the brand name Harrah's. Harrah's casino hotels are in all five major Nevada and New Jersey gaming markets: Reno, Lake Tahoe, Las Vegas and Laughlin, Nevada; and Atlantic City, New Jersey. Harrah's riverboat casinos are in Joliet, Illinois; Shreveport, Louisiana; and Tunica and Vicksburg, Mississippi. Harrah's also has an ownership interest in and manages two limited stakes casinos in Black Hawk and Central City, Colorado. The hotel segment is composed of three hotel brands targeted to specific market segments: Embassy Suites, Hampton Inn and Homewood Suites.

The consolidated condensed financial statements include all the accounts of Promus and its subsidiaries after elimination of all significant intercompany accounts and transactions. Investments in 50% or less owned companies and joint ventures over which Promus has the ability to exercise significant influence are accounted for using the equity method. Promus reflects its share of income before interest expense of these nonconsolidated affiliates in revenues and operating income. Promus' proportionate share of the interest expense of such nonconsolidated affiliates is included in interest expense. (See Note 7.)

Certain amounts for the prior year first quarter have been reclassified to conform with the presentation for first quarter 1994.

Note 2 - Long-Term Debt

Interest Rate Agreements

Promus has entered into interest rate swap agreements, as summarized in the following table:

Associated Debt	Swap Rate (LIBOR+)	Effective Rate at March 31, 1994	Next Semi-Annual Rate Adjustment Date	Swap Agreement Expiration Date
10 7/8% Notes				
$200 million	4.731%	8.143%	April 15	October 15, 1997
8 1/4% Notes				
$50 million	3.42%	6.929%	May 15	May 15, 1998
$50 million	3.22%	6.688%	July 15	July 15, 1998

In accordance with the terms of the interest rate swap agreements, the effective interest rate on the 10 7/8% Notes was adjusted on April 15, 1994, to 9.159%. This rate will remain in effect until October 15, 1994.

Note 2 - Long-Term Debt (Continued)

Promus maintains interest rate protection, in the form of a rate collar transaction entered into in June 1990, on $140 million of its variable rate bank debt. The interest rate protection expires in 1995 and currently holds Promus' interest rate in a range between 9.3% and 12.5%.

Note 3 - Stockholders' Equity

On April 29, 1994, Promus' stockholders approved an amendment to the Certificate of Incorporation which increased the number of authorized common shares from 120 million to 360 million and reduced the par value per common share from $1.50 to $0.10. As a result of the change in par value, approximately $143.3 million and $143.2 million has been transferred as of March 31, 1994, and December 31, 1993, respectively, from common stock to capital surplus on the consolidated condensed balance sheets.

In addition to its common stock, Promus has the following classes of stock authorized but unissued:

Preferred stock, $100 par value, 150,000 shares authorized
Special stock, 5,000,000 shares authorized -
Series B, $1.125 par value

Note 4 - Supplemental Disclosure of Cash Paid for Interest and Taxes

The following table reconciles Promus' interest expense, net of interest capitalized, per the consolidated condensed statements of income, to cash paid for interest:

(In thousands)	First Quarter Ended March 31, 1994	March 31, 1993
Interest expense, net of interest capitalized	$25,737	$27,945
Adjustments to reconcile to cash paid for interest		
Promus' share of interest expense of nonconsolidated affiliates	(2,945)	(3,190)
Net change in accruals	(3,965)	(2,864)
Amortization of deferred finance charges	(814)	(1,293)
Net amortization of discounts and premiums	(54)	(546)
Cash paid for interest, net of amount capitalized	$17,959	$20,052
Cash payments for income taxes, net of refunds	$ 4,454	$(2,129)

Note 5 - Commitments and Contingent Liabilities

Contractual Commitments

Promus is pursuing many casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties, guarantees by Promus of third party debt and development completion guarantees. As of March 31, 1994, Promus has guaranteed third party loans of $65 million, which are secured by certain assets, and has contractual agreements to construct riverboat casino facilities of $44 million, excluding amounts previously recorded.

Promus manages certain hotels for others under agreements which provide for payments/loans to the hotel owners if stipulated levels of financial performance are not maintained. In addition, Promus is liable under certain lease agreements where it has assigned the direct obligation to third party interests. Promus believes the likelihood is remote that material payments will be required under these agreements. Promus' estimated maximum exposure under such agreements is currently less than $41 million over the next 30 years.

Note 5 - Commitments and Contingent Liabilities (Continued)

Guarantee of Insurance Contract

Promus' defined contribution savings plan includes a $12.9 million guaranteed investment contract with an insurance company. Promus has agreed to provide non-interest-bearing loans to the plan to fund, on an interim basis, withdrawals from this contract by retired or terminated employees. Promus' maximum exposure on this guarantee as of March 31, 1994, is approximately $7.8 million.

Self-Insurance

Promus is self-insured for various levels of general liability, workers' compensation and employee medical coverage. Insurance claims and reserves includes the accrual of estimated settlements for known and anticipated claims.

Severance Agreements

Promus has severance agreements with twelve of its senior executives which provide for payments to the executives in the event of their termination after a change in control, as defined, of Promus. These agreements provide, among other things, for a compensation payment equal to 2.99 times the average annual compensation paid to the executive for the five preceding calendar years, as well as for accelerated payment or accelerated vesting of any compensation or awards payable to the executive under any of Promus' incentive plans. The estimated amount, computed as of March 31, 1994, that would have been payable under the agreements to these executives based on earnings and stock options aggregated approximately $38 million.

Tax Sharing Agreement

In connection with the February 7, 1990 spin-off (the Spin-off) of the stock of Promus to stockholders of Holiday Corporation (Holiday), Promus is liable, with certain exceptions, for taxes of Holiday and its subsidiaries for all pre-Spin-off tax periods. Bass PLC (Bass) is obligated under the terms of the Tax Sharing Agreements to pay Promus the amount of any tax benefits realized from pre-Spin-off tax periods of Holiday and its subsidiaries. Negotiations with the IRS to resolve disputed issues for the 1985 and 1986 tax years were concluded and settlement reached during fourth quarter 1993. Final payment of the federal income taxes and related interest due under the settlement was made during second quarter 1994. The IRS has completed its examination of Holiday's federal income tax returns for 1987 through the Spin-off date and has issued its proposed adjustments to those returns. Federal income taxes and related interest assessed on agreed issues were paid during first quarter 1994. A protest of all unagreed issues for the 1987 through Spin-off periods was filed with the IRS during the third quarter of 1993 and negotiations to resolve disputed issues are currently expected to begin during the second half of 1994. Final resolution of the disputed issues is not expected to have a materially adverse effect on Promus' consolidated financial position or its results of operations.

Note 6 - Litigation

In February 1992, Bass and certain affiliates filed suit against Promus generally alleging breaches of representations and warranties under the Merger Agreement with respect to the 1990 Spin-off of Promus and acquisition of the Holiday Inn hotel business by Bass, violation of federal securities laws due to such alleged breaches, and breaches of the Tax Sharing Agreement between Bass and Promus entered into at the closing of the Merger Agreement. The complaint seeks an unspecified amount of damages, unspecified punitive or exemplary damages, and declaratory relief. Promus believes that it has complied with all applicable laws and agreements with Bass in connection with the Merger and is defending its position vigorously. Promus has filed (a) an answer denying, and asserting affirmative defenses to, the substantive allegations of the complaint and (b) counterclaims alleging that Bass has breached the Tax Sharing Agreement, the Merger Agreement and agreements ancillary to the Merger Agreement. The counterclaims request unspecified compensatory damages, injunctive and declaratory relief and Promus' costs, including reasonable attorneys fees and expenses. Discovery has begun, but no trial date has been set.

In addition to the matter described above, Promus is also involved in various inquiries, administrative proceedings and litigation relating to contracts, sales of property and other matters arising in the normal course of business. While any proceeding or litigation has an element of uncertainty, management believes that the final outcome of these matters will not have a materially adverse effect upon Promus' consolidated financial position or its results of operations.

Note 7 - Nonconsolidated Affiliates

Combined summarized income statements of nonconsolidated affiliates which Promus accounted for on the equity basis for the first quarter ended March 31, 1994 were as follows:

	First Quarter Ended	
(In thousands)	March 31, 1994	March 31, 1993
Revenues	$217,880	$206,591
Operating income	$ (6,666)	$ 5,986
Net income (loss)	$(20,420)	$(11,592)

Promus' share of nonconsolidated affiliates' combined net operating results are reflected in the accompanying consolidated condensed statements of income as follows:

	First Quarter Ended	
(In thousands)	March 31, 1994	March 31, 1993
Pre-interest operating income (included in Revenues-other)	$ 660	$ 3,402
Interest expense (included in Interest expense)	$ (2,945)	$ (3,190)

(In thousands)	March 31, 1994	Dec. 31, 1993
Promus' investments in and advances to nonconsolidated affiliates		
At equity	$42,562	$35,893
At cost	34,799	34,157
	$77,361	$70,050

The values of certain of Promus' joint venture investments have been reduced below zero due to Promus' intention to fund its share of operating losses in the future, if needed. The total amount of these negative investments included in deferred credits and other liabilities on the consolidated condensed balance sheets was $4.7 million and $5.1 million at March 31, 1994, and December 31, 1993, respectively.

Note 8 - Summarized Financial Information

Embassy is a wholly-owned subsidiary and the principal asset of Promus. Summarized financial information of Embassy as of March 31, 1994 and December 31, 1993, and for the first quarter ended March 31, 1994 and 1993, prepared on the same basis as Promus, was as follows:

(In thousands)	March 31, 1994	Dec. 31, 1993
Current assets	$ 157,673	$ 165,753
Land, buildings, riverboats and equipment, net	1,362,370	1,338,202
Other assets	307,568	290,454
	1,827,611	1,794,409
Current liabilities	212,458	240,438
Long-term debt	853,894	839,804
Other liabilities	158,100	150,646
Minority interest	23,012	14,984
	1,247,464	1,245,872
Net assets	$ 580,147	$ 548,537

	First Quarter Ended	
(In thousands)	March 31, 1994	March 31, 1993
Revenues	$345,185	$268,767
Operating income	$ 83,506	$ 54,809
Income before income taxes and minority interest	$ 52,662	$ 20,614
Income before extraordinary items	$ 26,262	$ 12,001
Net income	$ 26,262	$ 10,992

The agreements governing the terms of Promus' debt contain certain covenants which, among other things, place limitations on Embassy's ability to pay dividends and make other restricted payments, as defined, to Promus. Pursuant to the terms of the most restrictive covenant regarding restricted payments, approximately $571.0 million of Embassy's net assets were not available for payment of dividends to Promus as of March 31, 1994.

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 1994
(UNAUDITED)

Note 9 - Operating Segment Information

Operating results for Promus' operating segments for the first quarter ended March 31, 1994 and 1993, were as follows:

(In thousands)	First Quarter Ended March 31, 1994	March 31, 1993
Casino Entertainment Segment Operating Data		
Revenues		
Casino	$243,010	$166,180
Food and beverage	36,415	31,090
Rooms	23,779	22,677
Management fees	258	-
Other	14,250	10,509
Less: casino promotional allowances	(28,998)	(21,688)
Total revenues	288,714	208,768
Operating expenses		
Departmental direct costs		
Casino	112,634	82,637
Food and beverage	18,324	14,800
Rooms	8,063	7,099
Other	84,589	66,351
Total operating expenses	223,610	170,887
Operating income	$ 65,104	$ 37,881
Hotel Segment Operating Data		
Revenues		
Rooms	$ 27,331	$ 34,495
Franchise and management fees	15,562	12,920
Food and beverage	1,991	2,106
Other	10,446	9,421
Total revenues	55,330	58,942
Operating expenses		
Departmental direct costs		
Rooms	13,729	17,948
Food and beverage	1,861	2,139
Other	20,154	21,843
Total operating expenses	35,744	41,930
	19,586	17,012
Property transactions	(198)	(265)
Operating income	$ 19,388	$ 16,747
Other Operations Segment Operating Data		
Revenues	$ 1,743	$ 1,497
Operating expenses	1,022	1,268
Operating income	$ 721	$ 229

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of The Promus Companies Incorporated's (Promus) financial position and operating results for first quarter 1994 and 1993 complements and updates the Management's Discussion and Analysis of Financial Position and Results of Operations (MD&A) presented in Promus' 1993 Annual Report. The following information should be read in conjunction with the 1993 Annual Report MD&A disclosure. References to Promus include its consolidated subsidiaries where the context requires.

Promus operates four leading hospitality brands comprising two business segments: a casino entertainment segment consisting of Harrah's, one of the world's premier names in the casino entertainment industry, and a hotel segment composed of three established brands, Embassy Suites, Hampton Inn and Homewood Suites (collectively Promus Hotels), targeted at specific market segments. A fourth hotel brand, Hampton Inn & Suites, was introduced in late 1993 and is designed to target a new development segment not addressed by the existing brands.

Unit growth in both business segments, particularly the addition of four riverboat casinos, and reduced interest expense contributed to a 41.9% increase in cash flow from operations for first quarter 1994 over the comparable prior year period. The extension of debt maturities to 1998 and beyond achieved by a debt refinancing strategy completed in 1993 allows Promus to invest its increasing cash flows from operations in opportunities to further grow its businesses, either through development of new projects or expansion of existing facilities.

CAPITAL SPENDING AND DEVELOPMENT

From six land-based casinos in operation in the traditional markets of Nevada and New Jersey at the end of first quarter 1993, Promus' casino entertainment segment has grown to include thirteen properties located in six states, including the latest riverboat casino addition, Harrah's Shreveport. In recognition of the additional opportunities presented by the proliferation of casino gaming, Promus continues to focus the majority of its capital spending on casino development opportunities.

Casino Entertainment

To maintain its leading position in the casino entertainment industry and to further build the value of Harrah's as a national casino brand, Promus is continuing its development of previously announced projects and its investigation and pursuit of additional development opportunities in emerging markets throughout the U.S. and, to a lesser extent, abroad.

Harrah's New Orleans

On July 21, 1993, the Louisiana Economic Development and Gaming Corporation (LEDGC) issued its second Request for Qualifications and Proposals (1993 RFP) to own and operate the sole land-based casino permitted by law to operate in Orleans Parish (permanent casino). On August 11, 1993, LEDGC selected a partnership comprised of a Promus subsidiary and a corporation owned by Louisiana investors (First Partnership) as the winning proposer, under the 1993 RFP, to own and operate the permanent casino. After this selection, it was necessary that the First Partnership secure control of the site of the Rivergate Convention Center (Rivergate), the legally mandated site of the permanent casino. To obtain this control, a new partnership (Second Partnership) was formed among the partners of the First Partnership and the holder of the sublease of the Rivergate, design changes to the proposed permanent casino were made in order to obtain zoning approval and governmental approvals to the assignment of the Rivergate sublease, and the sublease for the Rivergate was assigned to Second Partnership. Additional properties were acquired by the Second Partnership and a sublease was entered into with the City of New Orleans' Rivergate Development Corporation to enable the Second Partnership to provide a temporary casino at the City of New Orleans' Municipal Auditorium. Documentation was delivered to LEDGC by the First Partnership describing and requesting approval of the design, cost, financing and ownership modifications incidental to obtaining control of the Rivergate. On April 22, 1994, the Louisiana Attorney General issued an opinion that LEDGC could not accept these modifications under the Louisiana Economic Development and Gaming Corporation Law. On April 27, 1994, LEDGC cancelled the 1993 RFP. On April 29, 1994, LEDGC issued a new Request for Qualifications and Proposals (Applications) (the 1994 RFP).

First Partnership has appealed to state courts for judicial review of the action of LEDGC and also has requested a rehearing by LEDGC. Second Partnership intends to submit an application in response to the 1994 RFP. The 1994 RFP requires a phased response, the first phase response due May 13, 1994, and the second and final phase due May 20, 1994. LEDGC will review applications, hold public hearings, and select an applicant based upon LEDGC's evaluation of its proposal with respect to stated evaluation factors. The Company believes that this process will be completed by the end of second quarter 1994 absent changes occasioned by rehearing or judicial intervention. Because of the 1994 RFP, negotiations toward a casino operating contract between First Partnership and LEDGC have been suspended. As a result of these unanticipated delays and assuming that the 1994 RFP proceeds without interruption, the application of the Second Partnership is selected by LEDGC and the satisfaction of other contingencies discussed below, the projected opening dates for the temporary casino and permanent casino will be delayed until fourth quarter 1994 and fourth quarter 1995, respectively. Opening of the casino facilities by the Second Partnership may be precluded if its application is not selected by LEDGC.

The estimated cost of the project is $730 million, which is expected to be financed through a combination of partner capital contributions, public debt securities, bank debt and operating cash flow from the temporary casino. The Second Partnership is currently in process of registering a public offering of $425 million of debt and arranging $200 million of bank debt. The total

capital contribution of Promus' subsidiary is expected to be $23.3 million. Promus has agreed to provide completion guarantees for the project, subject to certain conditions and exceptions, in exchange for a fee to be paid by the Second Partnership. Before the Second Partnership can begin construction of either the planned 76,000 square foot temporary casino or the proposed 400,000 square foot permanent casino (200,000 square feet of casino space), other conditions and legal issues pertinent to the transaction must be satisfied, including obtaining the casino operating contract from LEDGC, obtaining financing, and satisfying other governmental requirements.

Litigation concerning title to a portion of the land underlying the permanent casino site was decided favorably at the trial court level. An appeal of the trial court decision was filed on May 2, 1994. If this appeal is decided unfavorably, it may delay or prevent opening of the casino facilities or otherwise adversely affect their operations.

Riverboat Casino Development

During January 1994, Promus launched its second Joliet, Illinois-based riverboat casino, the Harrah's Southern Star, which shares shoreside facilities with its sister ship, the Northern Star. On April 18, 1994, Promus christened the Shreveport Rose, a dockside riverboat casino located in downtown Shreveport, Louisiana, and the fifth floating casino to join Promus' growing fleet. In addition to the five riverboat casinos now operating, Promus has previously announced two riverboat casino projects to be developed in the state of Missouri. Following the failure of a statewide referendum that would have approved games of chance for proposed casino developments in Missouri and would have resolved the uncertainty which resulted earlier this year when a state court ruling cast doubt on the permissibility of offering certain types of games in casinos, Promus is reevaluating its development plans and opportunities in this state, as discussed in the following paragraphs.

In North Kansas City, Promus is developing a classic sternwheeler-designed riverboat casino featuring approximately 33,000 square feet of casino space. Approximately $27.4 million of the total estimated project cost of $82.6 million had been spent as of the end of first quarter 1994. Development of the North Kansas City project is proceeding and the project is expected to open on schedule during third quarter 1994 featuring certain types of games determined to have an element of skill under the court ruling. Various factors may affect this determination including legislative initiatives, regulatory interpretation and, ultimately, judicial action.

Promus' second Missouri riverboat casino is to be located in Maryland Heights, a suburb of St. Louis. $14.3 million of the total announced project cost of $82.0 million had been spent as of the end of first quarter 1994, primarily related to construction of the riverboat casino, which will feature 27,500 square feet of casino space. Although construction of the riverboat is continuing, construction of the related shoreside facilities has not yet commenced and a decision concerning the fourth quarter 1994 scheduled opening of this property has not been made.

The opening of both Missouri projects is subject to the approval of various regulatory bodies.

Subsequent to the end of the first quarter, Promus executed its option to acquire an additional interest in the joint venture which owns and operates the riverboat casino in Shreveport, Louisiana. As a result of this transaction, Promus' ownership interest in the joint venture will increase from approximately 86% to 96%, subject to the approval of state regulators.

Indian Lands

Promus has entered into management and development agreements for a planned $24.7 million casino entertainment facility near Phoenix, Arizona, to be owned by the Ak-Chin Indian Community of the Maricopa Indian Reservation. Promus does not expect to fund this development, although it has agreed to guarantee the related bank financing. Commencement of construction, expected to begin during second quarter 1994, and the opening of the facility are subject to the receipt of approvals from various regulatory agencies, including the National Indian Gaming Commission. Promus will manage the facility for a fee. The Tribal/State Compact between the Ak-Chin Community and the State of Arizona has received approval from the U.S. Department of the Interior.

Promus is in various stages of negotiations with a number of other Indian communities to develop and/or manage facilities on Indian lands.

International

Promus and its local partner are constructing a casino in Auckland, New Zealand. Promus will contribute $15 million in exchange for a 20% interest in the partnership and will manage the facility for a fee. Construction of the $150 million project, to be financed through a combination of partner contributions and non-recourse debt, is expected to be completed and the facility to be in operation in first quarter 1996.

Existing Land-Based Facilities

On-going refurbishment and maintenance of Promus' existing casino entertainment facilities in Nevada and New Jersey continues to maintain the quality standards set for these properties. No major additions of casino square footage or hotel rooms are currently under way at these properties.

Overall

In addition to the projects discussed above, Promus is also aggressively pursuing additional casino entertainment development opportunities in various new jurisdictions across the United States and abroad, although no definitive development agreements have been signed and no material capital commitments to construct additional facilities have been made to third parties at this time. Until all necessary approvals to proceed with development of a project are obtained from the relevant regulatory bodies, the costs of pursuing casino entertainment projects are expensed as incurred. Construction-related costs incurred after the receipt of necessary approvals are capitalized and depreciated over the estimated useful life of the resulting asset.

A number of these casino entertainment development projects, if they go forward, may require, individually and in the aggregate, a significant capital commitment and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion and the commencement of operations of casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies.

Hotel

Promus' three established hotel brands continued their steady growth during first quarter 1994 with the opening of ten additional franchised properties. An additional 55 franchised properties, comprised of 49 Hampton Inns, four Embassy Suites and two Homewood Suites, were under construction or conversion to Promus brands at March 31, 1994.

Construction of a company-owned prototype of a downsized Homewood Suites property suitable for smaller markets will begin during second quarter 1994. The prototype is expected to be completed by the end of 1994 at a cost of less than $6 million. Three Hampton Inn & Suites hotels, a new concept combining rooms and suites in a single property introduced by Promus hotels in late 1993, were approved for development during first quarter 1994. The first Hampton Inn & Suites property is expected to open in first quarter 1995.

To increase distribution and awareness of its Homewood Suites brand, subsequent to the end of the first quarter 1994 Promus announced plans to expand the brand by developing 20 to 25 additional properties over the next three years. A total of up to $150 million is expected to be required over the three year period to fund this development.

Summary

Cash needed to finance projects currently under development as well as additional projects being pursued by Promus will be made available from operating cash flows, the Bank Facility (see DEBT REFINANCING ACTIVITIES section), joint venture partners, specific project financing, guarantees by Promus of third party debt, sales of existing hotel assets and, if necessary, Promus debt and/or equity offerings. Including $58.3 million spent during first quarter 1994, Promus currently estimates $325 million to $375 million of cash from all sources will be required during 1994 to fund project development, including the projects discussed in this CAPITAL SPENDING AND DEVELOPMENT section, refurbishment of existing facilities and other projects.

DEBT AND LIQUIDITY

Bank Facility

At March 31, 1994, $185.0 million in borrowings were outstanding under Promus' reducing revolving and letter of credit facility (the Bank Facility). An additional $220.5 million of the Bank Facility was committed to back certain letters of credit, including a $204.7 million letter of credit supporting the existing 9% Notes. After consideration of these borrowings, $244.5 million was available to Promus under the Bank Facility as of March 31, 1994. Subsequent to the end of the first quarter, Promus funded the scheduled retirement of $39.1 million of 10 1/2% notes using borrowings under the Bank Facility.

Debt Rating Upgrade

A primary financial objective was fulfilled subsequent to the end of the quarter with the announcement by Standard and Poor's that it had upgraded Promus' implied senior debt rating to investment grade status. As a result of achieving investment grade status, the interest rate on Promus' Bank Facility will be reduced by 1/4 of 1% during third quarter 1994. This reduction in the interest rate will remain in force so long as the investment grade status is maintained.

Interest Rate Agreements

In prior years, Promus entered into various interest rate swap agreements as summarized in the following table:

Associated Debt	Swap Rate (LIBOR+)	Rate at Mar. 31, 1994	Next Semi-Annual Rate Adjustment Date	Swap Agreement Expiration Date
10 7/8% Notes				
$200 million	4.731%	8.143%	April 15	October 15, 1997
8 3/4% Notes				
$50 million	3.42%	6.929%	May 15	May 15, 1998
$50 million	3.22%	6.688%	July 15	July 15, 1998

In accordance with the terms of the interest rate swap agreements, the effective interest rate on the 10 7/8% Notes was adjusted on April 15, 1994, to 9.159%. This rate will remain in effect until October 15, 1994.

Promus maintains interest rate protection, in the form of a rate collar transaction entered into in June 1990, on $140 million on its variable rate bank debt. The interest rate protection expires in 1995 and currently holds Promus' interest rate in a range between 9.3% and 12.5%.

Shelf Registration

Promus, through its wholly-owned subsidiary Embassy Suites, Inc. (Embassy), has registered up to $200 million of new debt securities pursuant to a shelf registration declared effective by the Securities and Exchange Commission. The terms and conditions of these debt securities, which will be unconditionally guaranteed by Promus, will be determined by market conditions at the time of issuance.

EQUITY TRANSACTIONS

On April 29, 1994, Promus' stockholders approved an amendment to the Certificate of Incorporation which increased the number of authorized common shares from 120 million to 360 million and reduced the par value per common share from $1.50 to $0.10. As a result of the change in the par value, approximately $143 million has been transferred from common stock to capital surplus on the balance sheet.

RESULTS OF OPERATIONS

Overall

(in millions, except earnings per share)	First Quarter 1994	First Quarter 1993	Percent Increase/ (Decrease)
Revenues	$345.8	$269.2	28.5 %
Operating income	85.2	54.9	55.2 %
Net income	27.4	11.0	149.1 %
Earnings per share	0.27	0.11	145.5 %
Operating margin	24.6%	20.4%	4.2 pts

First quarter 1994's record revenues, operating income and earnings per share are due primarily to unit growth attained in both segments, especially the addition of the riverboat casino properties, and lower overall cost of debt, which continues favorable operating trends noted during 1993. A summary of Promus' operating segments performance for the first quarter ended March 31, 1994 and 1993 is presented in Note 7 to the consolidated condensed financial statements.

The mix of Promus' operating income among the casino entertainment divisions, including the contribution now made by the Riverboat Casino Entertainment Division, and the growth experienced by the hotel segment reflect the increasing diversification of Promus' operations. The following table summarizes operating income before property transactions for the twelve month periods ended March 31, 1994, 1993 and 1992 in million of dollars and as a percent of the total for each of Promus' casino entertainment divisions and primary business segments:

	Operating Income Contributions for the Twelve Months Ended March 31,					
	In Millions of Dollars			Percent of Total		
	1994	1993	1992	1994	1993	1992
Casino Entertainment						
Southern Nevada	$ 79	$ 69	$ 59	24 %	28 %	28 %
Northern Nevada	79	69	61	24 %	28 %	27 %
Atlantic City	68	63	68	20 %	25 %	31 %
Riverboat	58	-	-	17 %	-	-
New Orleans	(3)	-	-	(1)%	-	-
Other	(19)	(13)	(7)	(5)%	(5)%	(3)%
Total	262	188	181	79 %	76 %	83 %
Hotel	68	57	37	20 %	23 %	17 %
Other	3	1	(1)	1 %	1 %	-
Total Promus	$333	$246	$217	100 %	100 %	100 %

Casino Entertainment

Promus' casino entertainment segment includes the combined results of Promus' casino entertainment properties located in Colorado, Illinois, Mississippi, Nevada and New Jersey. Overall revenues and operating income for the segment increased 38.3% and 71.9%, respectively, for first quarter 1994 over the comparable prior year period. This growth is primarily a result of the first quarter 1994 operating contributions made by the Riverboat Casino Entertainment Division, partially offset by the recognition of Promus' pro-rata share of Harrah's New Orleans preopening-related costs. Included in both periods are development costs related to Promus' pursuit of additional casino entertainment projects. The amounts of these development costs charged to casino entertainment segment other operating expense for first quarter 1994 and 1993 were $3.6 million and $1.4 million, respectively.

Riverboat Division

(in millions)	First Quarter 1994
Revenues	$ 83.1
Operating income	30.2
Operating margin	36.4%
Gaming volume	$790.5

The Riverboat Division includes the operations of four riverboats, all of which opened subsequent to the end of first quarter 1993, as well as the results of the Division's group staff function. The higher operating margin achieved by this Division reflects operational differences between a riverboat facility and a conventional land-based property and limited competition currently faced by facilities opening in new, emerging markets.

Southern Nevada

(in millions)	First Quarter 1994	First Quarter 1993	Percent Increase/ (Decrease)
Revenues	$ 71.4	$ 69.7	2.4 %
Operating income	18.2	18.8	(3.2)%
Operating margin	25.5%	26.9%	(1.4)pts
Gaming volume	$754.9	$742.3	1.7 %

The increase in first quarter revenues for the Southern Nevada region is due to record revenue at Harrah's Las Vegas, which benefited from the increased visitation to the market prompted by the late-1993 openings of three "mega" properties. However, total operating income and operating margin for the region declined due to lower results posted by Harrah's Laughlin as the Laughlin market continues to absorb new capacity and as its traditional customers tried some of the new Las Vegas properties.

Northern Nevada

(in millions)	First Quarter 1994	First Quarter 1993	Percent Increase/ (Decrease)
Revenues	$ 70.3	$ 67.6	4.0 %
Operating income	13.1	10.9	20.2 %
Operating margin	18.6%	16.1%	2.5 pts
Gaming volume	$808.6	$775.5	4.3 %

All three Northern Nevada properties reported first quarter operating income records. The region's continuing emphasis on costs savings and operating efficiencies enabled it to again achieve disproportionate growth in operating income and margins versus revenue growth. The revenue and gaming volume growth achieved by the region can be partially attributed to better weather compared to last year.

Atlantic City

(in millions)	First Quarter 1994	First Quarter 1993	Percent Increase/ (Decrease)
Revenues	$ 65.8	$ 70.4	(6.5)%
Operating income	10.4	10.4	-
Operating margin	15.7%	14.7%	1.0 pts
Gaming volume	$684.6	$650.1	5.3 %

The decline in revenues for Atlantic City reflects the impact of inclement weather, construction on the casino floor, a decline in table game volume and a lower table hold percentage. The increase in total gaming volume reflects an increase in slot volume, which more than offset the decline in table play. An emphasis on managing expenses and targeting marketing dollars towards more profitable customer segments enabled the property to achieve a 1.0 percentage point increase in operating margin and match its prior year operating income, despite the decrease in revenues.

Harrah's New Orleans

Revenues and operating income for the casino entertainment segment include a loss of $3.2 million representing the equity pick-up of Promus' pro-rata share of preopening-related costs incurred by the joint venture developing Harrah's New Orleans. (See CAPITAL SPENDING AND DEVELOPMENT section.)

Hotel

(in millions, except rooms/hotels data)	First Quarter 1994	First Quarter 1993	Percent Increase/ (Decrease)
Revenues	$55.3	$58.9	(6.1)%
Operating income before property transactions	19.6	17.0	15.3 %
Operating margin	35.4%	28.9%	6.5 pts
Number of rooms	73,433	68,881	6.6 %
Number of hotels	511	462	10.6 %

Hotel segment revenues for first quarter 1994 declined from the comparable prior year period due to a decrease in the number of company-owned Embassy Suites properties. Despite the decline in revenues, the segment reported increased operating income for first quarter 1994 due to increases in franchise and management fees reflecting growth in the combined hotel systems and increased revenue per available room (suite) (RevPAR/S). Compared to the prior year period, total system RevPAR/S for the first quarter increased 6.2% at Hampton Inn, 5.4% at Embassy Suites and 5.4% at Homewood Suites. The number of room/suites at franchised properties and RevPAR/S significantly affects hotel segment results since franchise royalty fees are based upon rooms/suites revenues at franchised hotels. Also contributing to the operating income and margin improvements for the hotel segment are overhead cost savings being achieved as a result of consolidation of hotel brand management into a single organization structure announced in third quarter 1993.

Other Factors Affecting Income Per Share

(in millions)	First Quarter 1994	First Quarter 1993	Percent Increase/ (Decrease)
Property transaction (gains) losses, net	$ 0.2	$ 0.3	NM
Corporate expense	5.5	6.7	(17.9)%
Interest expense	25.7	27.9	(7.9)%
Interest and other income	(0.4)	(0.4)	-
Effective tax rate	41.2%	41.8%	(0.6)pts
Minority interest	$ 4.6	$ -	-
Extraordinary loss, net	-	1.1	NM

Corporate expense decreased primarily due to timing and reimbursement of certain expenses. The decrease in interest expense is due to the impact of lower interest rates on Promus' variable rate debt and lower overall levels of debt. Minority interest reflects joint venture partners' shares of income at joint venture riverboat casinos. The extraordinary loss recorded in the prior year related to the write-off of unamortized deferred finance charges due to the early retirement of the related debt.

Tax Matters

The effective tax rate for both periods is higher than the federal statutory rate due primarily to state income taxes.

In connection with the spin-off of Promus' stock (the Spin-off) to Holiday Corporation (Holiday) stockholders on February 7, 1990, Promus is liable, with certain exceptions, for the taxes of Holiday and subsidiaries for all pre-Spin-off tax periods. Negotiations with the Internal Revenue Service (IRS) to resolve disputed issues for the 1985 and 1986 tax years were concluded and a settlement reached during fourth quarter 1993. Final payment of the federal income taxes and related interest due under the settlement was made during second quarter 1994. The IRS has completed its examination of Holiday's federal income tax returns for 1987 through the Spin-off date and has issued its proposed adjustments to those returns. Federal income taxes and related interest assessed on agreed issues were paid during first quarter 1994. A protest defending the taxpayer's position on all unagreed issues for the 1987 through Spin-off periods was filed with the IRS during third quarter 1993 and negotiations to resolve disputed issues are currently expected to begin during the second half of 1994. Final resolution of the disputed issues is not expected to have a materially adverse effect on Promus' consolidated financial position or its results of operations.

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS

The casino entertainment industry is experiencing expansion in both existing markets and new jurisdictions. In the Las Vegas market, three competitors opened new casino "mega" facilities during fourth quarter 1993

adding more than 350,000 square feet of casino space and 10,000 rooms to the market. In Laughlin, expansions by competitors completed in 1993 increased the number of rooms available in that market by 12%. In Reno, competitors have announced new projects which, if constructed, will add significant additional casino space and hotel rooms to that market. In addition, the proliferation of casino gaming activity in many new jurisdictions continues due to the widespread growing acceptance of casino gaming as a form of entertainment and as an alternative tax revenue source for municipalities and states. Also furthering the proliferation of casino gaming has been the Indian Gaming Regulatory Act of 1988 which, as of May 10, 1994, had resulted in the approval of 107 compacts for the development of casinos on Native American lands in 19 states. Promus is not able to determine the impact, whether favorable or unfavorable, that these developments will have on the markets in which it currently operates. However, management believes that the current balance of its operations among the existing casino entertainment divisions and the hotel segment as discussed above, combined with the further geographic diversification and the continuing pursuit of the Harrah's national brand strategy presently underway in its casino entertainment segment, have well-positioned Promus to face the challenges presented by these developments and will reduce the potentially negative impact these new developments may have on Promus' overall operations.

INTERCOMPANY DIVIDEND RESTRICTION

Agreements governing the terms of its debt require Promus to abide by covenants which, among other things, limit Embassy's ability to pay dividends and make other restricted payments, as defined, to Promus. The amount of Embassy's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted payments, was approximately $571.0 million at March 31, 1994. Promus' principal asset is the stock of Embassy, a wholly-owned subsidiary. Embassy holds, directly and through subsidiaries, the principal assets of Promus' businesses. Given this ownership structure, these restrictions should not impair Promus' ability to conduct its business through its subsidiaries or to pursue its development plans.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Bass Public Limited Company, Bass International Holdings N.V., Bass (U.S.A.) Incorporated, Holiday Corporation and Holiday Inns, Inc. (collectively "Bass") v. The Promus Companies Incorporated ("Promus"). A complaint was filed in the United States District Court for the Southern District of New York against Promus on February 6, 1992, under Civil Action No. 92 Civ. 0969(SWK). The complaint alleges violation of Rule 10b-5 of the federal securities laws, intentional and negligent misrepresentation, breach of express warranties, breach of contract, and express and equitable indemnification. The complaint generally alleges breaches of representations and warranties under the Merger Agreement with respect to the 1990 spin-off of Promus and acquisition of the Holiday Inn hotel business by Bass, violation of the federal securities laws due to such alleged breaches, and breaches of the Tax Sharing Agreement between Bass and Promus entered into at the closing of the Merger Agreement. The complaint seeks an unspecified amount of damages, unspecified punitive or exemplary damages, and declaratory relief. The Company believes that it has complied with all applicable laws and agreements with Bass in connection with the Merger and is defending its position vigorously. Promus has filed (a) an answer denying, and asserting affirmative defenses to, the substantive allegations of the complaint and (b) counterclaims alleging that Bass has breached the Tax Sharing Agreement and agreements ancillary to the Merger Agreement. The counterclaims request unspecified compensatory damages, injunctive and declaratory relief and Promus' costs, including reasonable attorneys fees and expenses. On April 17, 1992, Bass filed a motion seeking to disqualify the Company's outside counsel in the litigation, Latham & Watkins, on various grounds. That motion was denied by the trial court on January 7, 1994. Discovery has begun, but no trial date has been set.

Certain tax matters. In connection with the Spin-off, Promus is liable, with certain exceptions, for taxes of Holiday and its subsidiaries for all pre-merger tax periods. Bass is obligated under the terms of the Tax Sharing Agreement to pay Promus the amount of any tax benefits realized from pre-merger tax periods of Holiday and its subsidiaries. The disputed issues from the Internal Revenue Service audit of the 1985 and 1986 tax years have been settled and the payment of taxes and interest with respect thereto was made during second quarter 1994. The IRS has completed its examination of Holiday's federal income tax returns for 1987 through the Spin-off date and has issued its proposed adjustments to those returns. Federal income taxes and related interest assessed on agreed issues were paid in first quarter 1994. A protest of all unagreed issues for the 1987 through Spin-off periods was filed with the IRS during the third quarter of 1993 and negotiations to resolve disputed issues are currently expected to begin during the second half of 1994. Final resolution of the disputed issues is not expected to have a materially adverse effect on Promus' consolidated financial position or its results of operations.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

EX-3.1	Certificate of Incorporation of The Promus Companies Incorporated.
EX-3.2	Certificate of Amendment of Certificate of Incorporation of The Promus Companies Incorporated dated April 29, 1994.
EX-3.3	Bylaws of The Promus Companies Incorporated, as amended April 29, 1994.
EX-10.1	The Promus Companies Incorporated 1990 Stock Option Plan, as amended April 29, 1994.
EX-10.2	Second Amendment dated March 31, 1994 to the Amended and Restated Partnership Agreement of Harrah's Jazz Company.
EX-11	Computation of per share earnings.

(b) No reports on Form 8-K were filed during the quarter ended March 31, 1994.

Signature

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

THE PROMUS COMPANIES
INCORPORATED

May 12, 1994 BY: MICHAEL N. REGAN

Michael N. Regan
Vice President and Controller
(Chief Accounting Officer)

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Exhibit No.	Description	Sequential Page No.
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CERTIFICATE OF INCORPORATION

OF

THE PROMUS COMPANIES INCORPORATED

FIRST: The name of the Corporation is The Promus Companies Incorporated.

SECOND: The address of the registered office of the Corporation in the State of Delaware is The Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at that address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware as set forth in Title 8 of the Delaware Code (the "GCL").

FOURTH: A. The total number of shares of stock which the Corporation shall have authority to issue is 125,150,000, consisting of 120,000,000 shares of Common Stock, par value $1.50 per share (the "Common Stock"), 150,000 shares of Preferred Stock, par value of $100.00 per share (the "Preferred Stock"), and 5,000,000 shares of Special Stock, par value $1.12 1/2 per share (the "Special Stock").

B. Shares of Preferred Stock may be issued from time to time in one or more series, as provided for herein or as provided for by the Board of Directors as permitted hereby. All shares of Preferred Stock shall be of equal rank and shall be identical, except in respect of the terms fixed herein for the series provided for herein or fixed by the Board of Directors for series provided for by the Board of Directors as permitted hereby. All shares of any one series shall be identical in all respects with all the other shares of such series, except the shares of any one series issued at different times may differ as to the dates from which dividends thereon may be cumulative.

The Board of Directors is hereby authorized, by resolution or resolutions, to establish, out of the unissued shares of Preferred Stock not then allocated to any series of Preferred Stock, additional series of Preferred Stock. Before any shares of any such additional series are issued, the Board of Directors shall fix and determine, and is hereby expressly empowered to fix and determine, by resolution or resolutions, the distinguishing characteristics and the relative rights, preferences, privileges and immunities of the shares thereof, so far as not inconsistent with the provisions of this Article FOURTH. Without limiting the generality of the foregoing, the Board of Directors may fix and determine:

1. The designation of such series, the number of shares which shall constitute such series and the par value, if any, of such shares;

2. The rate of dividend, if any, payable on shares of such series;

3. Whether the shares of such series shall be cumulative, non-cumulative or partially cumulative as to dividends, and the dates from which any cumulative dividends are to accumulate;

4. Whether the shares of such series may be redeemed, and, if so, the price or prices at which and the terms and conditions on which shares of such series may be redeemed;

5. The amount payable upon shares of such series in the event of the voluntary or involuntary dissolution, liquidation on winding up of the affairs of the Corporation;

6. The sinking fund provisions, if any, for the redemption of shares of such series;

7. The voting rights, if any, of the shares of such series;

8. The terms and conditions, if any, on which shares of such series may be converted into shares of capital stock of the Corporation of any other class or series;

9. Whether the shares of such series are to be preferred over shares of capital stock of the Corporation of any other class or series as to dividends, or upon the voluntary or involuntary dissolution, liquidation, or winding up of the affairs of the Corporation, or otherwise; and

10. Any other characteristics, preferences, limitations, rights, privileges, immunities or terms not inconsistent with the provisions of this Article FOURTH.

C. Shares of Special Stock may be issued from time to time in one or more classes or series as provided in this Section C of Article FOURTH.

Subpart I of this Section C sets forth provisions respecting the Special Stock as a class. Subpart II vests in the Board of Directors authority to designate series of Special Stock and to determine and fix the distinguishing characteristics and rights, privileges and immunities thereof.

SUBPART I. The Special Stock as a Class

1. General. Shares of Special Stock may be issued from time to time in one or more series, as provided for by the Board of Directors as permitted hereby. All shares of Special Stock shall be of equal rank and shall be identical, except in respect of the terms fixed by the Board of Directors for series provided for by the Board of Directors as permitted hereby. All shares of any one series shall be identical in all respects with all the other shares of such series, except the shares of any one series issued at different times may differ as to the dates from which dividends thereon may be cumulative.

2. Status of Reacquired Shares. Shares of any series of Special Stock which have been redeemed, purchased or otherwise acquired by the Corporation, or which are no longer deemed to be outstanding by virtue of funds or securities necessary for redemption or payment having been set aside or deposited in trust or otherwise, or which, if convertible, have been converted into shares of stock of the Corporation of any other class or series, shall, upon appropriate filing and recording to the extent required by law, have the status of authorized and unissued shares of Special Stock and may be reissued as part of any series of Special Stock provided for by the Board of Directors as permitted hereby.

SUBPART II. Series of Special Stock

The Board of Directors is hereby authorized, by resolution or resolutions, to establish, out of the unissued shares of Special Stock not then allocated to any series of Special Stock, additional series of Special Stock. Before any shares of any such additional series are issued, the Board of Directors shall fix and determine, and is hereby expressly empowered to fix and determine, by resolution or resolutions, the distinguishing characteristics and the relative rights, preferences, privileges and immunities of the shares thereof, so far as not inconsistent with the provisions of this Article FOURTH. Without limiting the generality of the foregoing, the Board of Directors may fix and determine:

1. The designation of such series, the number of shares which shall constitute such series and the par value, if any, of such shares;

2. The rate of dividend, if any, payable on shares of such series;

3. Whether the shares of such series shall be cumulative, non-cumulative or partially cumulative as to dividends, and the dates from which any cumulative dividends are to accumulate;

4. Whether the shares of such series may be redeemed, and, if so, the price or prices at which and the terms and conditions on which shares of such series may be redeemed;

5. The amount payable upon shares of such series in the event of the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation;

6. The sinking fund provisions, if any, for the redemption of shares of such series;

7. The voting rights, if any, of the shares of such series;

8. The terms and conditions, if any, on which shares of such series may be converted into shares of capital stock of the Corporation of any other class or series;

9. Whether the shares of such series are to be preferred over shares of capital stock of the Corporation of any other class or series as to dividends, or upon the voluntary or involuntary dissolution, liquidation, or winding up of the affairs of the Corporation, or otherwise; and

10. Any other characteristics, preferences, limitations, rights, privileges, immunities or terms not inconsistent with the provisions of this Article FOURTH.

D. Except as otherwise provided in this Certificate of Incorporation (including this Section D of Article FOURTH and including the resolutions adopted by the Board of Directors pursuant to Section B or C of this Article FOURTH), each holder of Common Stock shall be entitled to one vote for each share of Common Stock held by him on all matters submitted to stockholders for a vote and each holder of Preferred Stock or Special Stock of any series that is Voting Stock shall be entitled to such number of votes for each share held by him as may be specified in the resolutions providing for the issuance of such series.

(a) Definitions. The following definitions shall apply to this Section D of Article FOURTH:

"Affiliate" and "Associate" shall have the meanings given to such terms in Article NINTH.

A person shall be deemed the "Beneficial Owner" of, and shall be deemed to "Beneficially Own," shares of Capital Stock:

(i) which such person or any of such person's Affiliates or Associates, directly or indirectly, has the sole or shared right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including pursuant to any agreement, arrangement or understanding, whether or not in writing; provided that a person shall not be deemed the "Beneficial Owner" of, or to "Beneficially Own," any security under this subparagraph (i) as a result of an agreement,

arrangement or understanding to vote such security that: (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not reportable by such person on Schedule 13D under the Exchange Act (or any comparable or successor report) without giving effect to any applicable waiting period; or

(ii) which are Beneficially Owned, directly or indirectly, by any other person (or any Affiliate or Associate thereof) with which such person (or any of such person's Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing), for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to subparagraph (i) above) or disposing of any Capital Stock;

provided further that: (x) no director or officer of the Corporation (nor any Affiliate or Associate of any such director or officer) shall, solely by reason of any or all of such directors or officers acting in their capacities as such, be deemed the "Beneficial Owner" of or to "Beneficially Own" any shares of Capital Stock that are Beneficially Owned by any other such director or officer; (y) in the case of any employee stock ownership or similar plan of the Corporation or of any Subsidiary in which the beneficiaries thereof possess the right to vote the shares of Voting Stock held by such plan, no such plan nor any trustee with respect thereto (nor any Affiliate or Associate of such trustee), solely by reason of such capacity of such trustee, shall be deemed the "Beneficial Owner" of or to "Beneficially Own" the shares of Voting Stock held under such plan; and (z) no person shall be deemed the "Beneficial Owner" of or to "Beneficially Own" any shares of Voting Stock held in any voting trust, employee stock ownership plan or any similar plan or trust if such person does not possess the right to vote such shares.

"Capital Stock" shall have the meaning given to such term in Article NINTH.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

The term "person" shall mean any individual, firm, company or other entity.

"Subsidiary" shall have the meaning given to such term in Article NINTH.

"Substantial Stockholder" shall mean any person (other than any Subsidiary, any employee benefit plan of the Corporation or any Subsidiary, or any person organized, appointed or established by the Corporation or any Subsidiary for or pursuant to the terms of any such plan) who Beneficially Owns shares of Voting Stock that would, before giving effect to the reduction in votes prescribed in paragraph (b), represent more than the Threshold Percentage of the total number of votes entitled to be cast by the holders of all outstanding shares of Voting Stock.

"Threshold Percentage" for any person shall equal 10%, except that it shall be adjusted as follows:

(i) If the percentage of the votes entitled to be cast in respect of all outstanding shares of Voting Stock represented by the votes entitled to be cast in respect of the shares of Voting Stock that are Beneficially Owned by any person, before giving effect to the reduction in votes prescribed in paragraph (b), is increased above the Threshold Percentage previously applicable to such person solely as a result of any decrease in the number of outstanding shares of Voting Stock, then the Threshold Percentage for such person shall be adjusted upward to reflect the percentage increase in the votes that may be cast in respect of the shares of Voting Stock that are Beneficially owned by such person, before giving effect to the reduction in votes prescribed in paragraph (b), caused by such decrease in the number of outstanding shares of Voting Stock.

(ii) If the Threshold Percentage for any person is greater than 10% and the percentage of the votes entitled to be cast in respect of all shares of Voting Stock represented by the votes entitled to be cast in respect of the shares of Voting Stock that are Beneficially Owned by such person, before giving effect to the reduction in votes prescribed in paragraph (b), decreases for any reason (including as a result of a sale or other disposition by such person of any shares of Voting Stock or any increase in the number of outstanding shares of Voting Stock), then such person's Threshold Percentage shall be adjusted downward so as to equal the greater of: (x) 10%; or (y) the percentage of the votes entitled to be cast in respect of all outstanding shares of Voting Stock represented by the votes entitled to be cast in respect of the shares of Voting Stock that are Beneficially Owned by such person before giving effect to the reduction in votes prescribed in paragraph (b).

"Voting Stock" shall have the meaning given to such term in Article NINTH.

(b) Limitation of Votinq Riqhts.

(i) So long as a Substantial Stockholder Beneficially Owns shares of Voting Stock that would, before giving effect to the reduction of votes prescribed by this paragraph (b), carry votes in excess of his Threshold Percentage of the votes entitled to be cast in respect of all outstanding shares of Voting Stock, and any other provision of this Certificate of Incorporation notwithstanding, the record holders of the shares of Voting Stock that are Beneficially Owned by the Substantial Stockholder shall have limited voting rights on any matter requiring their vote or consent as set forth in this paragraph (b). As to any shares of Voting Stock Beneficially Owned by a Substantial Stockholder that would, before giving effect to the reduction of votes prescribed by this paragraph (b), carry votes in excess of his Threshold Percentage of the votes entitled to be cast in respect of all outstanding shares of Voting Stock, the record holders thereof shall be entitled to cast one

one-hundredth (1/100) of the votes which the holders of such shares would, but for the provisions of this paragraph (b), be entitled to cast. The aggregate voting power, so limited, of the record holders of the shares of Voting Stock that are Beneficially Owned by the Substantial Stockholder shall be allocated proportionately among such record holding as follows: Each such record holder shall be entitled, with respect to the shares of Voting Stock that are Beneficially Owned by the Substantial Stockholder and held of record by such record holder, to a number of votes equal to the product of (x) the aggregate number of votes that would have been carried by such shares before giving effect to the reduction in votes prescribed by this paragraph (b), multiplied by (y) the fraction obtained by dividing (A) the number of votes carried by the shares of Voting Stock that are Beneficially Owned by the Substantial Stockholder after giving effect to the reduction in votes prescribed by this paragraph (b), by (B) the number of votes carried by the shares of Voting Stock that are Beneficially Owned by the Substantial Stockholder before giving effect to the reduction in votes prescribed by this paragraph (b).

(ii) Notwithstanding the foregoing subparagraph (b)(i), so long as there are seven or more persons who Beneficially Own shares of Voting Stock, the record holders of the shares of Voting Stock that are Beneficially Owned by a Substantial Stockholder collectively shall not be entitled to cast in respect of such shares, on any matter submitted to stockholders for vote or consent, a number of votes in excess of the sum of (x) the applicable Threshold Percentage plus (y) 5%, of the number of votes entitled to be cast in respect of all outstanding shares of Voting Stock (with the number of votes being determined in each case after giving effect to the reduction in votes prescribed by paragraph (b)). If the preceding sentence reduces the total number of votes that the record holders of the shares of Voting Stock that are Beneficially Owned by a Substantial Stockholder are entitled to cast in respect of such shares, such reduction shall be effected, and the number of votes that each such record holder is entitled to cast in respect of such shares shall be determined, in accordance with the allocation provisions of subparagraph (b)(i).

(c) Factual Determinations.

(i) The Board of Directors shall have the power and duty to construe and apply the provisions of this Section D of Article FOURTH and to make all determinations necessary or desirable to implement such provisions, including but not limited to determining: (v) the number of shares of Voting Stock that are Beneficially Owned by any person; (w) whether a person is an Affiliate or Associate of another person; (x) whether a person has an agreement, arrangement, or understanding with another person as to the matters referred to in the definition of Beneficial Ownership; (y) the application of any other definition of operative provision of this Section D of Article FOURTH to the given facts; and (z) any other matter relating to the applicability or effect of this Section D of Article FOURTH.

(ii) The Board of Directors shall have the right to demand that any person who it believes is or may be a Substantial Stockholder (or who holds of record shares of Capital Stock that are Beneficially Owned by any person that the Board of Directors believes is or may be a Substantial Stockholder) supply the Corporation with complete information as to: (x) the record holders of all shares of Capital Stock that are Beneficially Owned by such person; (y) the number of shares of each class or series of Capital Stock that are Beneficially Owned by such person and held of record by each such record holder and the numbers of the stock certificates evidencing such shares; and (z) any other matter relating to the applicability or effect of this Section D of Article FOURTH as the Board of Directors may reasonably request. Each such person shall furnish such information within 10 days after the receipt of such demand.

(iii) Any construction, application or determination made by the Board of Directors pursuant to this Section D of Article FOURTH in good faith and on the basis of such information and assistance as was then reasonably available for such purpose shall be conclusive and binding upon the Corporation and its stockholders, including any Substantial Stockholder.

(d) Ouorum. Except as otherwise provided by law, the presence, in person or by proxy, of the holders of record of shares of Capital Stock entitling the holders thereof to cast a majority of the votes entitled to be cast by the holders of shares of Capital Stock entitled to vote (after giving effect to the reduction in votes prescribed in paragraph (b)) shall constitute a quorum at all meetings of the stockholders, and any quorum requirement or any requirement for stockholder consent or approval shall be determined after giving effect to the reduction in votes prescribed in paragraph (b).

(e) No Derogation of Fiduciary Obliqations. Nothing contained in this Section D of Article FOURTH shall be construed to relieve any Substantial Stockholder from any fiduciary obligation imposed by law.

(f) Severability. If any provision of this Section D of Article FOURTH is determined to be invalid, void, illegal or unenforceable, the remaining provisions of this Section D of Article FOURTH shall continue to be valid and enforceable and shall in no way be affected, impaired or invalidated.

(g) Termination. The limitation on voting rights prescribed by this Section D of Article FOURTH shall terminate and be of no force and effect as of the earliest to occur of

(i) the close of business on April 16, 1992; or

(ii) the date that any person other than Holiday Inns, Inc. or Holiday Corporation becomes the Beneficial Owner of shares of Voting Stock representing at least 75% of the total number of votes entitled to be cast in respect of all outstanding shares of Voting Stock, before giving effect to the reduction in votes prescribed by paragraph (b); or

(iii) the date (the "Reference Date") one day prior to the date on which, as a result of such limitation of voting rights, the Common Stock will be delisted from (including by ceasing to be temporarily or provisionally authorized for listing with) the New York Stock Exchange (the "NYSE") or the American Stock Exchange (the "AMEX"), or be no longer authorized for inclusion (including by ceasing to be provisionally or temporarily authorized for inclusion) on the National Association of Securities Dealers, Inc. Automated Quotation System/National Market System ("NASDAQ/NMS"); provided, however, that (a) such termination
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shall not occur until the earlier of (x) the 90th day after the Reference Date or (y) the first day on or after a Reference Date that there is not pending a proceeding under the rules of the NYSE, the AMEX or the NASDAQ/NMS or any other administrative or judicial proceeding challenging such delisting or removal of authorization of the Common Stock, an application for listing of the Common Stock with the NYSE or the AMEX or for authorization for the Common Stock to be included on the NASDAQ/NMS, or an appeal with respect to any such application, and (b) such termination shall not occur by virtue of such delisting or lack of authorization if on or prior to the earlier of the 90th day after the Reference Date or the day on which no proceeding, application or appeal of the type described in (y) above is pending, the Common Stock is approved for listing or continued listing on the NYSE or the AMEX or authorized for inclusion or continued inclusion on the NASDAQ/NMS (including any such approval or authorization which is temporary or provisional). Nothing contained herein shall be construed so as to prevent the Common Stock from continuing to be listed with the NYSE or AMEX or continuing to be authorized for inclusion on the NASDAQ/NMS in the event that the NYSE, AMEX or NASDAQ/NMS, as the case may be, adopts a rule or is governed by an order, decree, ruling or regulation of the Securities and Exchange Commission which provides in whole or in part that companies having common stock with differential voting rights listed on the NYSE or the AMEX or authorized for inclusion on the NASDAQ/NMS may continue to be so listed or included.

E. Notwithstanding any other provision of this Certificate of Incorporation to the contrary, but subject to the provisions of any resolutions of the Board of Directors adopted pursuant to this Article FOURTH creating any series of Preferred Stock, Special Stock or any other class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, outstanding shares of Common Stock, Preferred Stock, Special Stock or any other class or series of stock of the Corporation shall always be subject to redemption by the Corporation, by action of the Board of Directors, if in the judgment of the Board of Directors such action should be taken, pursuant to Section 151(b) of the GCL or any other applicable provision of law, to the

extent necessary to prevent the loss or secure the reinstatement of any license or franchise from any governmental agency held by the Corporation or any Subsidiary to conduct any portion of the business of the Corporation or any Subsidiary, which license or franchise is conditioned upon some or all of the holders of the Corporation's stock of any class or series possessing prescribed qualifications. The terms and conditions of such redemption shall be as follows:

(a) the redemption price of the shares to be redeemed pursuant to this Section E of Article FOURTH shall be equal to the Fair Market Value of such shares or such other redemption price as required by pertinent state or federal law pursuant to which the redemption is required;

(b) the redemption price of such shares may be paid in cash, Redemption Securities or any combination thereof;

(c) if less than all the shares held by Disqualified Holders are to be redeemed, the shares to be redeemed shall be selected in such manner as shall be determined by the Board of Directors, which may include selection first of the most recently purchased shares thereof, selection by lot or selection in any other manner determined by the Board of Directors;

(d) at least 30 days' written notice of the Redemption Date shall be given to the record holders of the shares selected to be redeemed (unless waived in writing by any such holder), provided that the Redemption Date may be the date on which written notice shall be given to record holders if the cash or Redemption Securities necessary to effect the redemption shall have been deposited in trust for the benefit of such record holders and subject to immediate withdrawal by them upon surrender of the stock certificates for their shares to be redeemed;

(e) from and after the Redemption Date or such earlier date as mandated by pertinent state or federal law, any and all rights of whatever nature, which may be held by the owners of shares selected for redemption (including without limitation any rights to vote or participate in dividends declared on stock of the same class or series as such shares), shall cease and terminate and they shall thenceforth be entitled only to receive the cash or Redemption Securities payable upon redemption; and

(f) such other terms and conditions as the Board of Directors shall determine.

For purposes of this Section E of Article FOURTH:

(i) "Disqualified Holder" shall mean any holder of shares of stock of the Corporation of any class (or classes) or series whose holding of such stock, either individually or when taken together with the holding of shares of stock of the Corporation of any class (or classes) or series by any other holders, may result, in the judgment of the Board of Directors, in the loss of, or the failure to secure the reinstatement of, any license or franchise from any governmental agency held by the Corporation or any Subsidiary to conduct any portion of the business of the Corporation or any Subsidiary.

(ii) "Fair Market Value" of a share of the Corporation's stock of any class or series shall mean the average Closing Price for such as share for each of the 45 most recent days of which shares of stock of such class or series shall have been traded preceding the day on which notice of redemption shall be given pursuant to paragraph (d) of this Section E of Article FOURTH; provided, however, that if shares of stock of such class or series are not traded on any securities exchange or in the over-the-counter market, "Fair Market Value" shall be determined by the Board of Directors in good faith; and provided further, however, that "Fair Market Value" as to any stockholder who purchased any stock of the class (or classes) or series subject to redemption within 120 days of a Redemption Date need not (unless otherwise determined by the Board of Directors) exceed the purchase price paid by him for any stock of such class (or classes) or series of the Corporation. "Closing Price" on any day means the reported closing sales price or, in case no such sale takes place, the average of the reported closing bid and asked prices on the Composite Tape for the New York Stock Exchange-Listed Stocks, or, if stock of the class or series in question is not quoted on such Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing sales price or bid quotation for such stock on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such prices or quotations are available, the fair market value on the day in question as determined by the Board of Directors in good faith.

(iii) "Redemption Date" shall mean the date fixed by the Board of Directors for the redemption of any shares of stock of the Corporation pursuant to this Section E of Article FOURTH.

(iv) "Redemption Securities" shall mean any debt or equity securities of the Corporation, any Subsidiary or any other corporation, or any combination thereof, having such terms and conditions as shall be approved by the Board of Directors and which, together with any cash to be paid as part of the redemption price, in the opinion of any nationally recognized investment banking firm selected by the Board of

Directors (which may be a firm which provides other investment banking, brokerage or other services to the Corporation), has a value, at the time notice of redemption is given pursuant to paragraph (d) of this Section E of Article FOURTH, at least equal to the Fair Market Value of the shares to be redeemed pursuant to this Section E of Article FOURTH (assuming, in the case of Redemption Securities to be publicly traded, such Redemption Securities were fully distributed and subject only to normal trading activity).

(v) "Subsidiary" shall mean any corporation more than 50% of whose outstanding stock entitled to vote generally in the election of directors is owned by the Corporation, by one or more Subsidiaries or by the Corporation and one or more Subsidiaries.

FIFTH: A. The Board of Directors shall have the power to make, adopt, alter, amend, change or repeal the Bylaws of the Corporation by resolution adopted by the affirmative vote of a majority of the entire Board of Directors.

B. Stockholders may not make, adopt, alter, amend, change or repeal the Bylaws of the Corporation except upon the affirmative vote of at least 75% of the votes entitled to be cast by the holders of all outstanding shares then entitled to vote generally in the election of directors, voting together as a single class.

SIXTH: The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, which shall consist of not less than three or more than seventeen directors, the exact number of directors to be determined from time to time by resolution adopted by affirmative vote of a majority of the entire Board of Directors. The Board of Directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. At the 1990 annual meeting of stockholders, Class I directors shall be elected for a one-year term, Class II directors for a two-year term and Class III directors for a three-year term. At each succeeding annual meeting of stockholders, beginning in 1991, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring in the Board of Directors may be filled by a majority of the

directors then in office, even if less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock or Special Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Certificate of Incorporation applicable thereto (including the resolutions of the Board of Directors pursuant to Article FOURTH), and such Directors so elected shall not be divided into classes pursuant to this Article SIXTH unless expressly provided by such terms.

SEVENTH: Special meetings of the stockholders of the Corporation, for any purpose or purposes, may only be called at any time by a majority of the entire Board of Directors or by either the Chairman or the President of the Corporation.

EIGHTH: No stockholder action may be taken except at an annual or special meeting of stockholders of the Corporation and stockholders may not take any action by written consent in lieu of a meeting.

NINTH: A. In addition to any affirmative vote required by law or this Certificate of Incorporation (including any resolutions of the Board of Directors pursuant to Article FOURTH hereof) or the Bylaws of the Corporation, and except as otherwise expressly provided in Section B of this Article NINTH, a Business Combination (as hereinafter defined) with, or proposed by or on behalf of, any Interested Stockholder (as hereinafter defined) or any Affiliate or Associate (as hereinafter defined) of any Interested Stockholder or any person who thereafter would be an Affiliate or Associate of such Interested Stockholder shall require the affirmative vote of (i) not less than 75% of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock (as hereinafter defined), voting together as a single class and (ii) not less than a majority of the votes entitled to be cast by holders of all the then outstanding Voting Stock, voting together as a single class, excluding Voting Stock beneficially owned by such Interested Stockholder. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage or separate class vote may be specified, by law or in any agreement with any national securities exchange or otherwise;

B. The provisions of Section A of this Article NINTH shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote, if any, as is required by law or by any other provision of this Certificate of Incorporation (including any resolutions of the Board of Directors pursuant to Article FOURTH hereof) or the Bylaws of the Corporation,

or any agreement with any national securities exchange, if all the conditions specified in either of the following Paragraphs 1 or 2 are met or, in the case of Business Combination not involving the payment of consideration to the holders of the Corporation's outstanding Capital Stock (as hereinafter defined), if the condition specified in the following Paragraph 1 is met:

1. The Business Combinations shall have been approved, either specifically or as a transaction which is in an approved category of transactions, by a majority (whether such approval is made prior to or subsequent to the acquisition of, or announcement or public disclosure of the intention to acquire, beneficial ownership of the Voting Stock that caused the Interested Stockholder to become an Interested Stockholder) of the Continuing Directors (as hereinafter defined).

2. All of the following conditions shall have been met:

a. The aggregate amount of cash and the Fair Market Value (as hereinafter defined), as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the highest amount determined under clauses (i) and (ii) below:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the Interested Stockholder for any share of Common Stock in connection with the acquisition by the Interested Stockholder of beneficial ownership of shares of Common Stock (x) within the two-year period immediately prior to the first public announcement of the proposed Business Combination (the "Announcement Date") or (y) in the transaction in which it became an Interested Stockholder, whichever is higher, in either case as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to Common Stock; and

(ii) the Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (the "Determination Date"), whichever is higher, as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to Common Stock.

b. The aggregate amount of cash and the Fair Market Value, as of the date of the consummation of the Business Combination, of consideration other than cash to be received per share by holders of shares of each class or series of outstanding Capital Stock, other than Common Stock, shall be at least equal to the highest amount determined under clauses (i), (ii) and (iii) below:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the Interested Stockholder for any share of such class or series of Capital Stock in connection with the acquisition by the Interested Stockholder of beneficial ownership of shares of such class or series of Capital Stock (x) within the two-year period immediately prior to the Announcement Date or (y) in the transaction in which it became an Interested Stockholder, whichever is higher, in either case as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to such class or series of Capital Stock;

(ii) the Fair Market Value per share of such class or series of Capital Stock on the Announcement Date or on the Determination Date, whichever is higher, as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to such class or series of Capital Stock; and

(iii) (if applicable) the highest preferential amount per share to which the holders of shares of such class or series of Capital Stock would be entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation regardless of whether the Business Combination to be consummated constitutes such an event.

The provisions of this Paragraph 2(b) shall be required to be met with respect to every class or series of outstanding Capital Stock, whether or not the Interested Stockholder has previously acquired beneficial ownership of any shares of a particular class or series of Capital Stock.

c. The consideration to be received by holders of a particular class or series of outstanding Capital Stock shall be in cash or in the same form as previously has been paid by or on behalf of the Interested Stockholder in connection with its direct or indirect acquisition of beneficial ownership of shares of such class or series of Capital Stock. If the consideration so paid for shares of any class or series of Capital Stock varied as to form, the

form of consideration for such class or series of Capital Stock shall be either cash or the form used to acquire beneficial ownership of the largest number of shares of such class or series of Capital Stock previously acquired by the Interested Stockholder.

d. After the Determination Date and prior to the consummation of such Business Combination: (i) except as approved by a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor any full periodic dividends (whether or not cumulative) payable in accordance with the terms of any outstanding Capital Stock; (ii) there shall have been no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any stock split, stock dividend or subdivision of the Common Stock), except as approved by a majority of the Continuing Directors; (iii) there shall have been an increase in the annual rate of dividends paid on the Common Stock as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction that has the effect of reducing the number of outstanding shares of Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Continuing Directors; and (iv) such Interested Stockholders shall not have become the beneficial owner of any additional shares of Capital Stock except as part of the transaction that results in such Interested Stockholder becoming an Interested Stockholder and except in a transaction that, after giving effect thereto, would not result in any increase in the Interested Stockholder's percentage beneficial ownership of any class or series of Capital Stock.

e. A proxy or information statement describing - the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (the "Act") (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to all stockholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions). The proxy or information statement shall contain on the first page thereof, in a prominent place, any statement as to the advisability (or inadvisability) of the Business Combination that the Continuing Directors, or any of them, may choose to make and, if deemed advisable by a majority of the Continuing Directors, the opinion of an investment banking firm selected by a majority of the Continuing Directors as to the fairness (or not) of the terms of the Business Combination from a financial point of view to the holders of

the outstanding shares of Capital Stock other than the Interested Stockholder and its Affiliates or Associates, such investment banking firm to be paid a reasonable fee for its services by the Corporation.

f. Such Interested Stockholder shall not have made any major change in the Corporation's business or equity capital structure without the approval of a majority of the Continuing Directors.

C. The following definitions shall apply with respect to this article NINTH:

1. The term "Business Combination" shall mean:

a. any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (i) any Interested Stockholder or (ii) any other company (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate or Associate of an Interested Stockholder; or

b. any sale, lease, exchange, mortgage, pledge, transfer or other disposition or security arrangement, investment, loan, advance, guarantee, agreement to purchase or sell, agreement to pay, extension of credit, joint venture participation or other arrangement (in one transaction or a series of transactions) with or for the benefit of any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder involving any assets, securities or commitments of the Corporation, any Subsidiary or any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder which (except for any arrangement, whether as employee or consultant or otherwise, other than as director, pursuant to which any Interested Stockholder or any Affiliate or Associate thereof shall, directly or indirectly, have any control over or responsibility for the management of any aspect of the business or affairs of the Corporation, with respect to which arrangement the value test set forth below shall not apply), together with all other such arrangements (including all contemplated future events), has an aggregate Fair Market Value and/or involves aggregate commitments of $100,000,000 or more or constitutes more than 5 percent of the book value of the total assets (in the case of transactions involving assets or commitments other than capital stock) or 5 percent of the stockholders' equity (in the case of transactions in capital stock) of the entity in question (the "Substantial Part"), as reflected in the most recent fiscal year-end consolidated balance sheet of such entity existing at the time the stockholders of the Corporation would be required to approve or authorize the Business Combination involving the assets, securities and/or commitments constituting any Substantial Part; provided,
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that if stockholders' equity is negative, the fair market value of the outstanding Capital Stock at the date of such balance sheet shall be used in lieu thereof in determining if a transaction involves a Substantial Part; or

c. the adoption of any plan or proposal for the liquidation or dissolution of the Corporation or for any amendment to the Corporation's Bylaws; or

d. any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or otherwise involving an Interested Stockholder) that has the effect, directly or indirectly, of increasing the proportionate share of any class or series of Capital Stock, or any securities convertible into Capital Stock or into equity securities of any Subsidiary, that is beneficially owned by any Interested Stockholder or any affiliate or Associate of any Interested Stockholder; or

e. any agreement, contract or other arrangement providing for any one or more of the actions specified in the foregoing clauses (a) to (d).

2. The term "Capital Stock" shall mean all capital stock of the Corporation authorized to be issued from time to time under Article FOURTH of this Certificate of Incorporation, and the term "Voting Stock" shall mean all Capital Stock which by its terms may be voted on all matters submitted to stockholders of the Corporation generally.

3. The term "person" shall mean any individual, firm, company or other entity and shall include any group comprised of any person and any other person with whom such person or any Affiliate or Associate of such person has any agreement, arrangement or understanding, directly or indirectly, for the purpose of acquiring, holding, voting or disposing of Capital Stock.

4. The term "Interested Stockholder" shall mean any person (other than the Corporation or any Subsidiary and other than any profit-sharing, employee stock ownership or other employee benefit plan of the Corporation or any Subsidiary or any trustee of or fiduciary with respect to any such plan when acting in such capacity) who (a) is, or has announced or publicly disclosed a plan or intention to become, the beneficial owner of Voting Stock representing ten percent or more of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock (without giving effect to the reduction in votes prescribed by Section D of Article FOURTH); or (b) is an Affiliate or Associate

of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner of Voting Stock representing ten percent or more of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock (without giving effect to the reduction in votes prescribed by Section D of Article FOURTH).

5. A person shall be a "beneficial owner" of any Capital Stock (a) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly; (b) which such person or any of its Affiliates or Associates has, directly or indirectly, (i) the right to acquire (whether such right is exercisable immediately or subject only to the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding; or (c) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Capital Stock; provided that: (x) no director or officer of the Corporation (nor any Affiliate or Associate of any such director or officer) shall, solely by reason of any or all of such directors or officers acting in their capacities as such, be deemed the "beneficial owner" of any shares of Capital Stock that are beneficially owned by any other such director or officer; (y) in the case of any employee stock ownership or similar plan of the Corporation or of any Subsidiary in which the beneficiaries thereof possess the right to vote the shares of Voting Stock held by such plan, no such plan nor any trustee with respect thereto (nor any Affiliate or Associate of such trustee), solely by reason of such capacity of such trustee, shall be deemed the "beneficial owner" of the shares of Voting Stock held under such plan; and (z) no person shall be deemed the "beneficial owner" of any shares of Voting Stock held in any voting trust, employee stock ownership plan or any similar plan or trust if such person does not possess the right to vote such shares. For the purposes of determining whether a person is an Interested Stockholder pursuant to Paragraph 4 of this section C, the number of shares of Capital Stock deemed to be outstanding shall include shares deemed beneficially owned by such person through application of this Paragraph 5 of Section C, but shall not include any other shares of Capital Stock that may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

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6. The terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 under the Act as in effect on the date that Article NINTH is approved by the Board (the term "registrant" in said Rule 12b-2 meaning in this case the Corporation).

7. The term "Subsidiary" means any company of which a majority of any class of equity security is beneficially owned by the Corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in Paragraph 4 of this Section C, the term "Subsidiary" shall mean only a company of which a majority of each class of equity security is beneficially owned by the Corporation.

8. The term "Continuing Director" means any member of the Board of Directors of the Corporation (the "Board of Directors"), while such person is a member of the Board of Directors, who is not an Affiliate or Associate or representative of the Interested Stockholder and was a member of the Board of Directors prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Continuing Director while such successor is a member of the Board of Directors, who is not an affiliate or associate or representative of the Interested Stockholder and is recommended or elected to succeed the Continuing director by a majority of the Continuing Directors.

9. The term "Fair Market Value" means (a) in the case of cash, the amount of such cash; (b) in the case of stock the highest closing sales price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange - Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Act on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing sales price or bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any similar system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and (c) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined in good faith by a majority of the Continuing Directors.

10. In the event of any Business Combination in which the Corporation survives, the phrase "consideration other than cash to be received" as used in Paragraphs 2.a and 2.b of Section B of this Article NINTH shall include the shares of Common Stock and/or the shares of any other class or series of Capital Stock retained by the holders of such shares.

D. A majority of the Continuing Directors shall have the power and duty to determine for the purposes of this Article NINTH, on the basis of information known to them after reasonable inquiry, all questions arising under this Article NINTH including, without limitation, (a) whether a person is an Interested Stockholder, (b) the

number of shares of Capital Stock or other securities beneficially owned by any person, (c) whether a person is an Affiliate or Associate of another, (d) whether a Proposed Action (as hereinafter defined) is with, or proposed by, or on behalf of, an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder, (e) whether the assets that are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of $100,000,000 or more, and (f) whether the assets or securities that are the subject of any Business Combination constitute a Substantial Part. Any such determination made in good faith shall be binding and conclusive on all parties.

E. Nothing contained in this Article NINTH shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

F. The fact that any Business Combination complies with the provisions of Section B of this Article NINTH shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Combination or recommend its adoption or approval to the stockholders of the Corporation, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors, or any member thereof, with respect to evaluations of or actions and responses taken with respect to such Business Combination.

G. For the purpose of this Article NINTH, a Business Combination or any proposal to amend, repeal or adopt any provision of this Certificate of Incorporation inconsistent with this Article NINTH (collectively, "Proposed Action") is presumed to have been proposed by, or on behalf of, an Interested Stockholder or a person who thereafter would become such if (1) after the Interested Stockholder became such, the Proposed Action is proposed following the election of any director of the Corporation who with respect to such Interested Stockholder, would not qualify to serve as a Continuing Director or (2) such Interested Stockholder, Affiliate, Associate or person votes for or consents to the adoption of any such Proposed Action, unless as to such Interested Stockholder, Affiliate, Associate or person, a majority of the Continuing Directors makes a good faith determination that such Proposed Action is not proposed by or on behalf of such Interested Stockholder, Affiliate, Associate or person, based on information known to them after reasonable inquiry.

H. Notwithstanding any other provisions of this Certificate of Incorporation or the Bylaws of the Corporation (and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law, this Certificate of Incorporation or the Bylaws of the Corporation), any proposal to amend, repeal or adopt any provision of this Certificate of Incorporation inconsistent with this Article NINTH which is proposed by or on behalf of an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder shall require the affirmative vote of (i) the holders of not less than 75% of the votes

entitled to be cast by the holders of all the then outstanding shares of Voting Stock, voting together as a single class, and (ii) the holders of not less than a majority of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock, voting together as a single class, excluding Voting Stock beneficially owned by such Interested Stockholder, provided, however, that this Section H shall not apply to, and such vote shall not be required for, any amendment, repeal or adoption unanimously recommended by the Board of Directors if all of such directors are persons who would be eligible to serve as Continuing Directors within the meaning of Section C, Paragraph 8 of this Article NINTH.

TENTH: A. Subject to Section C of this Article TENTH, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the Corporation, or, with respect to any criminal action or proceeding, had reasonable cause to believe his conduct was unlawful.

B. Subject to Section C of this Article TENTH, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such

person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

C. Any indemnification under this Article TENTH (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section A or Section B of this Article TENTH, as the case may be. Such determination shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders. To the extent, however, that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described in Section A or Section B of this Article TENTH, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith, without the necessity of authorization in the specific case.

D. For purposes of any determination under Section C of this Article TENTH, a person shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Corporation, and, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his conduct was unlawful, if his action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to him by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section D of Article TENTH shall mean any other corporation or any partnership, joint venture, trust or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section D shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Sections A or B of this Article TENTH as the case may be.

E. Notwithstanding any contrary determination in the specific case under Section C of this Article TENTH, and notwithstanding the absence of any determination thereunder, any director, officer, employee or agent may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections A and B of this Article TENTH.

The basis of such indemnification by a court shall be a determination by such court that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standards of conduct set forth in Sections A or B of this Article TENTH, as the case may be. Notice of any application for indemnification pursuant to this Section E of Article TENTH shall be given to the Corporation promptly upon the filing of such application.

F. Expenses incurred in defending or investigating a threatened or pending action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article TENTH.

G. The indemnification and advancement of expenses provided by this Article TENTH shall not be deemed exclusive of any other rights to which any person seeking indemnification or advancement of expenses may be entitled under any Bylaw, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of, and advancement of expenses to, the persons specified in Sections A and B of this Article TENTH shall be made to the fullest extent permitted by law. The provisions of this Article TENTH shall not be deemed to preclude the indemnification of, and advancement of expenses to, any person who is not specified in Sections A or B of this Article TENTH but whom the Corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware, or otherwise. The indemnification provided by this Article TENTH shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

H. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power or the obligation to indemnify him against such liability under the provisions of this Article TENTH.

I. For purposes of this Article TENTH, reference to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or

was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article TENTH with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

ELEVENTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of the GCL or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of the GCL, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

TWELFTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or thereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

THIRTEENTH: No director of this Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) under Section 174 of the GCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the GCL is hereafter amended to authorize corporate action further limiting or eliminating the personal liability of directors, then the liability of each director of the Corporation shall be limited or eliminated to the fullest extent permitted by the GCL as so amended from time to time.

FOURTEENTH: The name and mailing address of the incorporator is:

E. O. Robinson, Jr.
The Promus Companies Incorporated
1023 Cherry Road
Memphis, Tennessee 38117

I, THE UNDERSIGNED, being the sole incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this certificate, herein declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 31st day of October, 1989.

/s/ E. O. Robinson, Jr.

E. O. Robinson, Jr.

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION

The Promus Companies Incorporated, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of The Promus Companies Incorporated, resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and in the best interest of the corporation and its stockholders, and directing that the proposed amendment be considered at the next annual meeting of the stockholders of said corporation. The resolutions setting forth the proposed amendment are as follows:

RESOLVED, that the Board of Directors of the Company hereby approves and sets forth the following proposed amendment (the "Proposed Amendment") to Article FOURTH of the Company's Certificate of Incorporation:

(1) That paragraph A of Article FOURTH of the Certificate of Incorporation of the Company be amended to read in its entirety as follows:

> "A. The total number of shares which the Corporation shall have authority to issue is 365,150,000, consisting of 360,000,000 shares of Common Stock, par value $.10 per share (the "Common Stock"), 150,000 shares of Preferred Stock, par value of $100.00 per share (the "Preferred Stock"), and 5,000,000 shares of Special Stock, par value $1.12 1/2 per share (the "Special Stock")."

(2) That the following additional paragraph be inserted immediately after paragraph A of Article FOURTH of the Company's Certificate of Incorporation:

> "Simultaneously with the effective date of the amendment of paragraph A of Article FOURTH to read as set forth above (the "Effective Date"), each share of the Common Stock, par value $1.50 per share, of the Corporation issued and outstanding or held as treasury shares immediately prior to the Effective Date shall, automatically and without further action on the part of the holder thereof, have a par value of $.10 per share and each existing certificate representing such shares shall represent the same number of shares of Common Stock, with a par value of $.10 per share."

SECOND: That thereafter, pursuant to resolution of its Board of Directors, an annual meeting of the stockholders of said corporation was held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this Certificate to be signed by E. O. Robinson, Jr., its Senior Vice President and attested by Vincent G. De Young, its Assistant Secretary, the 29th day of April, 1994.

By: E. O. ROBINSON, JR.

E. O. Robinson, Jr.
Senior Vice President

ATTEST:

VINCENT G. DE YOUNG

Vincent G. De Young
Assistant Secretary

BYLAWS

OF

THE PROMUS COMPANIES INCORPORATED

(Amended April 29, 1994)

ARTICLE I

OFFICES

SECTION 1. Registered Office. The registered office of The Promus Companies Incorporated (the "Corporation") shall be at The Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, State of Delaware.

SECTION 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors of the Corporation (the "Board of Directors") may from time to time determine.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 1. Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

SECTION 2. Annual Meetings. The annual meeting of stockholders shall be held on the first Friday in May in each year or on such other date and at such time as may be fixed by the Board of Directors and stated in the notice of the meeting, for the purpose of electing directors and for the transaction of only such other business as is properly brought before the meeting in accordance with these Bylaws.

Written notice of an annual meeting stating the place, date and hour of the meeting, shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

SECTION 3. Special Meetings. Unless otherwise prescribed by law or by the Certificate of Incorporation, special meetings of stockholders, for any purpose or purposes, may only be called by a majority of the entire Board of Directors or by the Chairman or the President.

Written notice of a special meeting stating the place, date and hour of the meeting, shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days

before the date of the meeting.

SECTION 4. Quorum. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the holders of a majority of the votes entitled to be cast by the stockholders entitled to vote thereat, present in person or represented by proxy may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented by proxy. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

SECTION 5. Voting. Unless otherwise required by law, the Certificate of Incorporation or these Bylaws, any question brought before any meeting of stockholders shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat. Each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder, unless otherwise provided by the Certificate of Incorporation. Such votes may be cast in person or by proxy but no proxy shall be voted after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

SECTION 6. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at

least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

SECTION 7. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 6 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

ARTICLE III

DIRECTORS

SECTION 1. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board or the President or a majority of the entire Board of Directors. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone or telegram on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

SECTION 2. Quorum. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these Bylaws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

SECTION 3. Actions of Board of Directors. Unless otherwise provided by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

SECTION 4. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these Bylaws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 4 of Article III shall constitute presence in person at such meeting.

SECTION 5. Committees. The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

SECTION 6. Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Members of special or standing committees may be allowed like compensation for attending committee meetings.

SECTION 7. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested

directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the shareholder entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the shareholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IV

OFFICERS

SECTION 1. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a President, a Secretary and a Treasurer. The Board of Directors, in its discretion, may also choose a Chairman of the Board of Directors (who must be a director) and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these Bylaws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

SECTION 2. Election. The Board of Directors at its first meeting held after each annual meeting of stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers who are directors of the Corporation shall be fixed by the Board of Directors.

SECTION 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President and any such officer may, in the name and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such

meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

SECTION 4. Chairman of the Board of Directors. The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the stockholders and of the Board of Directors. Except where by law the signature of the President is required, the Chairman of the Board of Directors shall possess the same power as the President to sign all contracts, certificates and other instruments of the Corporation which may be authorized by the Board of Directors. During the absence or disability of the President, the Chairman of the Board of Directors shall exercise all the powers and discharge all the duties of the President. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these Bylaws or by the Board of Directors.

SECTION 5. President. The President shall, subject to the control of the Board of Directors and, if there be one, the Chairman of the Board of Directors, have general supervision of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. He shall execute all bonds, mortgages, contracts and other instruments of the Corporation requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these Bylaws, the Board of Directors or the President. In the absence or disability of the Chairman of the Board of Directors, or if there be none, the President shall preside at all meetings of the stockholders and the Board of Directors. The President shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these Bylaws or by the Board of Directors.

SECTION 6. Vice Presidents. At the request of the President or in his absence or in the event of his inability or refusal to act (and if there be no Chairman of the Board of Directors), the Vice President or the Vice Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or in the event of the inability or refusal of the President to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

SECTION 7. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision he shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the President may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

SECTION 8. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 9. Assistant Secretaries. Except as may be otherwise provided in these Bylaws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

SECTION 10. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 11. Controller. The Controller shall establish and maintain the accounting records of the Corporation in accordance with generally accepted accounting principles applied on a consistent basis, maintain proper internal control of the assets of the Corporation and shall perform such other duties as the Board of Directors, the President or any Vice President of the Corporation may prescribe.

SECTION 12. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE V

STOCK

SECTION 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman of the Board of Directors, the President or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation.

SECTION 2. Signatures. Any or all of the signatures on the certificate may be a facsimile, including, but not limited to, signatures of officers of the Corporation and countersignatures of a transfer agent or registrar. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

SECTION 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

SECTION 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be cancelled before a new certificate shall be issued.

SECTION 5. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

SECTION 6. Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE VI

NOTICES

SECTION 1. Notices. Whenever written notice is required by law, the Certificate of Incorporation or these Bylaws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, telex or cable.

SECTION 2. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these Bylaws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed, by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VII

GENERAL PROVISIONS

SECTION 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property, or in shares of the capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

SECTION 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

SECTION 3. Fiscal Year. The fiscal year of the Corporation shall end on the Friday nearest December 31 and the following fiscal year shall commence on the Saturday following the aforesaid Friday, unless the fiscal year is otherwise fixed by affirmative resolution of the entire Board of Directors.+

SECTION 4. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

+ On October 25, 1991, the Board of Directors of the Company adopted a resolution changing the Company's fiscal year end to a calendar year commencing with the year 1992.

THE PROMUS COMPANIES INCORPORATED

1990 STOCK OPTION PLAN

(as amended April 29, 1994)

A. Purpose

The purpose of The Promus Companies Incorporated 1990 Stock Option Plan (the "Plan") is to attract and retain outstanding key employees and to provide an incentive to, and encourage stock ownership in The Promus Companies Incorporated, a Delaware corporation (the "Company"), by those employees responsible for the policies and operations of the Company or its Subsidiaries. As used herein, "Subsidiary" means any domestic or foreign corporation, at least 50% of the outstanding voting stock or voting power of which is beneficially owned, directly or indirectly, by the Company.

B. Administration

1. This Plan shall be administered by the Human Resources Committee (the "Committee") of the Board of Directors (the "Board") of the Company. The Committee shall consist of not less than three members of the Board of Directors. No person shall be appointed to the Committee (i) who is (or has been during the one-year period prior to such appointment) eligible to receive an award under the Plan or any other stock, stock option or stock appreciation right plan of the Company, a Subsidiary or a Parent Company other than a plan or provision of a plan specifically developed for, or made available to, members of the Board who are not employees and which otherwise complies with subsection (b)(1)(iii) of Rule 16b-3 ("Rule 16b-3") under Section 16 ("Section 16") of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or any successor provision; or (ii) who has received options under the Plan if at the time of such appointment, the options have not been exercised. As used herein, "Parent Company" means any domestic or foreign corporation that beneficially owns, directly or indirectly, at least 50% of the outstanding voting stock or voting power of the Company.

2. The Committee shall have full authority and discretion to determine, consistent with the provisions of this Plan other than with respect to Replacement Options (as defined below): (1) the employees who should be granted options; (2) whether the option or options shall be an incentive stock option or a non-qualified stock option; (3) the times at which options shall be granted; (4) subject to Section F, the option price of the shares subject to each option; (5) the number of shares subject to each option; (6) subject to Section I, the period during which each option becomes exercisable; and (7) other terms and conditions of each option.

3. The Committee shall further have discretion at any time and from time to time to accelerate the date or dates when outstanding options become exercisable and to decrease the option price of outstanding options. The Committee may in its discretion change any incentive stock option to a non-qualified stock option without liability to any employee who has received options under this Plan (an "Optionee"). The Committee shall also have full authority and discretion to adopt such rules, regulations and procedures as it shall deem necessary for the administration of the Plan and to interpret, amend or revoke any such rules, regulations or procedures.

4. The Committee may in its discretion provide in the terms of any stock option (other than a Replacement Option) that the number of Shares subject to such option will be decreased if the participant's grade level is reduced by the Company, any Subsidiary or any Parent Company, for performance, by reason of change in job functions or responsibilities, or by reason of transfer to a different position during the term of the option. Options that become exercisable prior to the reduction in the option award shall not be affected.

5. The Committee's interpretation and construction of any provisions of this Plan or any option granted hereunder shall be final, conclusive and binding upon all Optionees, the Company and all other interested parties.

C. Eligibility

1. The Committee shall from time to time determine the key management employees of the Company and any of its Subsidiaries who shall be granted options (other than Replacement Options) under the Plan. No incentive stock option shall be granted to any director of the Company who is not an employee of the Company, any of its Subsidiaries or any of its Parent Companies. An employee who has been granted an option may be granted an additional option or options under this Plan if the Committee shall so determine. The granting of an option under this Plan shall not affect any outstanding stock option previously granted to an Optionee under this Plan or any other plan of the Company, a Subsidiary or a Parent Company.

2. Each employee of the Company who prior to the merger (the "Merger") of Bass (U.S.A.) Hotels, Incorporated, a Delaware corporation ("Merger Sub"), with and into Holiday Corporation ("Holiday") pursuant to that certain Agreement and Plan of Merger (the "Merger Agreement") among Holiday, Holiday Inns, Inc., the Company, Bass plc, Merger Sub and Bass (U.S.A.) Hotels, Incorporated, a Tennessee corporation, dated as of August 24, 1989, as amended, held options to purchase Holiday common stock issued under Holiday's 1977 Incentive Stock Option Plan or 1989 Stock Option Plan (collectively, "Holiday Stock Options") and which options were not exercised prior to the Merger shall, in lieu and upon cancellation of such Holiday Stock

Options, be issued an option (a "Replacement Option") to purchase shares of the $1.50 par value common stock ("Common Stock") of the Company under the Plan subject to the following terms:

(1) Upon the consummation of the Merger each such employee shall hereby be issued, without the requirement of any additional act of the Committee, a Replacement Option to purchase the number of shares of Common Stock (rounded upward to the nearest full share) with a per share exercise price, (rounded downward to the nearest cent) determined to preserve each such Holiday Stock Option's value as of the time of the Merger (such value being the product of (A) the difference between (i) the sum of (x) the fair market value of a share of Common Stock (as defined for purposes of this paragraph only, below), (y) the fair market value of a share of Bass plc stock (as defined for purposes of this paragraph only, below) multiplied by the number of shares of Bass plc stock to be issued for each outstanding share of Holiday common stock in the Merger (assuming all Holiday Stock Options have been exercised) and (z) the amount of the special cash dividend to be paid with respect to each share of Common Stock as contemplated in the Merger Agreement and (ii) such Holiday Stock Option's exercise price per share, and (B) the number of shares of Holiday common stock subject to such Holiday Stock Options). For purposes of this paragraph, the fair market value of a share of Common Stock shall be deemed to be equal to the average of the closing prices of a share during the ten trading days following the effective time of the Merger as reported on the New York Stock Exchange. If the special cash dividend has not been paid on the date of the effective time of the Merger, the above calculation will be adjusted to preserve the intended reduction. For purposes of this paragraph only, the fair market value of a share of Bass plc stock shall be deemed to be equal to the "Market Value Per Bass Share," as defined in the Merger Agreement.

(2) Replacement Options granted in exchange for vested Holiday Stock Options shall be vested, and Replacement Options granted in exchange for unvested Holiday Stock Options shall be unvested and subject to the same vesting schedules as the Holiday Stock Options surrendered in exchange therefor.

(3) Replacement Options shall be subject to the same terms as the Holiday Stock Options they replace, including dates of expiration and the inclusion of stock appreciation rights, if applicable, except that the Replacement Options shall vest based on continued employment with the Company and all references made to Holiday or any of its subsidiaries shall be deemed references to the Company and its subsidiaries. The Replacement Options shall comply in all other respects with the Plan.

(4) The Replacement Options shall be evidenced by option agreements or certificates.

D. Shares of Stock Subject to this Plan

1. The number of shares which may be issued pursuant to the options granted by the Committee under this Plan shall not exceed 1,200,000 shares of Common Stock.* Such shares may be authorized and issued shares or shares previously acquired or to be acquired by the Company and held in treasury. Any shares subject to an option which expires for any reason, is forfeited, or is terminated unexercised as to such shares may again be subject to an option under this Plan. To the extent that a stock appreciation right shall have been exercised and paid in cash, the number of shares subject to the related option, or portion thereof, may again be subject to an option under this Plan.

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* The number of shares available for the issuance of options immediately prior to the March 8, 1993 record date of the 2 for 1 stock split was multiplied by two pursuant to action taken by the Committee on February 25, 1993. The number of shares available for the issuance of options immediately prior to the November 8, 1993 record date of the 3 for 2 stock split was multiplied by 1.5 pursuant to action taken by the Committee on October 29, 1993.

2. If the outstanding shares of Common Stock of the Company are hereafter changed into or exchanged for a different number or kind of shares or other securities of the Company, or of another corporation, by reason of reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, stock dividend, combination of shares or otherwise, appropriate adjustments shall be made by the Committee in the number and kind of shares for the purchase of which options may be granted, including adjustments of the limitations in paragraph 1 on the maximum number and kind of shares which may be issued on exercise of options. Adjustments made by the Committee shall be final, conclusive and binding upon all Optionees, the Company and all other interested parties.

3. Effective April 30, 1993, the number of authorized shares which may be issued pursuant to the options granted by the Committee under the Plan is increased by an additional 1,500,000 shares.

Effective April 29, 1994, the maximum number of options that can be granted in any one year period to one employee shall be options for 250,000 shares, provided that this limit shall be appropriately adjusted by the Committee in accordance with Section D.2 hereof.

E. Issuance and Terms of Option Certificates

Each key management employee to whom an option is granted under this Plan shall be entitled to receive an appropriate certificate evidencing his option and referring to the terms and conditions of this Plan.

F. Option Price

1. Each option shall state the number of shares to which it pertains and shall state the option price. The option price for Replacement Options shall be as set forth in Section C(2). Subject to the foregoing, the option price of incentive stock options shall not be less than 100% (110% in the case of an option granted to an individual owning (within the meaning of Section 425(d) of the Internal Revenue Code of 1986, as amended (the "Code")) more than 10% of the total combined voting power of all classes of stock of the Company, any Subsidiary or any Parent Company) of the Fair Market Value of the Common Stock on the date the option is granted. The option price of non-qualified stock options shall not be less than $1.50 per share. Provided, that non-qualified options shall not be issued under this Plan at less than the average of the high and low prices of the Company's Common Stock on the principal exchange or system where the Common Stock is traded on the date that the option is granted or, if such date is not a trading day, the preceding trading day. "Fair Market Value" of a share of Common Stock as of a given date shall be: (i) the closing price of a share of Common Stock on the principal exchange on which shares of Common Stock are then trading, if any, on the day previous to such date, or if shares were not traded on the day previous to such dates, then on the next preceding trading day during which a sale occurred; or (ii) if such stock is not traded on an exchange but is quoted on NASDAQ or a successor quotation system, (1) the last sales price (if the stock is then listed as a National Market Issue under the NASD National Market System) or (2) the mean between the closing representative bid and asked prices (in all other cases) for the stock on the day previous to such date as reported by NASDAQ or such successor quotation system; or (iii) if such stock is not publicly traded on an exchange and not quoted on NASDAQ or a successor quotation system, the mean between the closing bid and asked prices for the stock, on the day previous to such date, as determined in good faith by the Committee; or (iv) if Common Stock is not publicly traded, the fair market value established by the Committee acting in good faith; provided that if there has been no sale of Common Stock during the 30-day period prior to the date of the calculation provided for in this sentence, then such stock shall not be considered to be trading on an exchange or quoted on the NASDAQ or successor quotation system.

2. The option price shall be payable in United States dollars upon the exercise of the option and may be paid in cash, by check, or in shares of Common Stock having a total Fair Market Value on the date of exercise equal to the option price. The Company may also permit the option price incurred by reason of the exercise of an option to be satisfied by withholding shares (that would otherwise be obtained upon such exercise) having a Fair Market Value equal to the aggregate option price of the exercised option. The Company may permit Optionees to use cashless exercise methods that are permitted by law and in connection therewith the Company may establish a cashless exercise program including a program where the commissions on the sale of stock subject to an exercised option are paid by the Company.

3. The proceeds received by the Company from the sale of Common Stock subject to option are to be added to the general funds of the Company and used for its corporate purposes.

G. Treatment of Certain Options; Certain Limitations on Grant

1. Subject to the provisions of this Section G, the Committee may grant under this Plan both incentive stock options under Section 422A of the Code and non-qualified stock options not subject to Section 422A of the Code.

2. To the extent that the aggregate Fair Market Value (determined at the time the option is granted) of the stock with respect to which incentive stock options (within the meaning of Section 422A of the Code, but without regard to Section 422A(d) of the Code) are exercisable for the first time by an Optionee during any calendar year (under the Plan and all other incentive stock option plans of the Company, any Subsidiary and any Parent Company) shall exceed $100,000, such options shall be taxed as non-qualified options. The rule set forth in the preceding sentence shall be applied by taking options into account in the order in which they are granted.

3. Incentive stock options granted hereunder shall at the time of grant qualify as "incentive stock options" under Section 422A of the Code.

H. Stock Appreciation Rights

1. At the discretion of the Committee (other than with respect to Replacement Options), any option granted under this Plan may include a stock appreciation right. The Committee may impose conditions upon the grant or exercise of the stock appreciation right which conditions may include a condition that the stock appreciation right may only be exercised in

accordance with rules and regulations adopted by the Committee from time to time. Such rules and regulations may govern the right to exercise the stock appreciation right granted prior to the adoption or amendment of such rules and regulations as well as stock appreciation rights granted thereafter. The Committee may amend any outstanding option or options to grant stock appreciation rights with respect to the shares covered by any such option or options if the original option or options did not contain such rights.

2. A "stock appreciation right" is the right of an Optionee, without payment to the Company (except for applicable withholding taxes), to receive the excess of the Fair Market Value over the option price per share as provided in the related underlying option. A stock appreciation right shall pertain to, and be granted only in conjunction with, a related underlying option granted under this Plan and shall be exercisable and exercised only to the extent that the related option is exercisable. The number of shares of Common Stock subject to the stock appreciation right shall be all or part of the shares subject to the related option, as determined by the Committee. The stock appreciation right shall either become all or partially non-exercisable and shall be all or partially forfeited if the exercisable portion, or any part thereof, of the related option is exercised and vice versa. A stock appreciation right may only be exercised if the Fair Market Value per share of the Common Stock on the exercise date exceeds the option price per share under the related underlying option.

3. Subject to any restrictions or conditions imposed by the Committee, a stock appreciation right may be exercised by the Optionee as to a number of shares of the Common Stock under its related option only upon the surrender of exercise rights with respect to a like number of shares of the Common Stock available to the exercisable portion of the related option. Upon the exercise of a stock appreciation right and the surrender of the exercisable portion of the related option, the Optionee shall be awarded cash, shares of the Common Stock or a combination of shares and cash at the discretion of the Committee. The award shall have a total value equal to the product obtained by multiplying (i) the excess of the Fair Market Value per share on the date on which the stock appreciation right is exercised over the option price per share by (ii) the number of shares subject to the exercisable portion of the related option so surrendered.

4. The portion of the stock appreciation right which may be awarded in cash shall be determined by the Committee from time to time. The number of shares awardable to an Optionee with respect to the non-cash portion of a stock appreciation right shall be determined by dividing such non-cash portion by the Fair Market Value per share on the exercisable date. No fractional shares shall be issued.

I. Term and Exercise of Options and Stock Appreciation Rights

Each option and stock appreciation right granted under this Plan shall be exercisable on the dates and for the number of shares as shall be provided in the option certificate evidencing the option granted by the Committee and the terms thereof. An Optionee may exercise his option only by delivering to the Company written notice of intent to exercise and by complying with all terms of such option. No stock option shall be exercisable after the expiration of ten years and one day (ten years in the case of an incentive stock option) from the date of grant of the option or, in the case of an incentive stock option granted to an Optionee owning (within the meaning of Section 425(d) of the Code), at the time the option was granted, more than 10% of the total combined voting power of all classes of stock of the Company, any Subsidiary or any Parent Company, the expiration of five years from the date of grant of the option. Provided, however, that where death, retirement for age or determination of disability occurs during the one year period ending ten years and one day from the date of grant of the option, no option that is not an incentive stock option shall be exercisable after the expiration of eleven years and one day from the date of grant of the option. With respect to persons subject to the provisions of Section 16(b): (i) except in the case of death or disability (within the meaning of Section 22(e)(3) of the Code) of the Optionee, no stock appreciation right related to any stock option shall be exercisable earlier than six months from the date of grant of the stock appreciation right, (ii) where an outstanding option is subsequently amended to include the grant of a stock appreciation right, no such stock appreciation right shall be exercisable earlier than six months from the date of grant of such right and (iii) a stock appreciation right may only be exercised during the period beginning on the third business day following the date of the Company's release of its quarterly or annual summary statements of sales and earnings and ending on the twelfth business day following such date.

J. Nontransferability

No option, stock appreciation right or interest or right therein or part thereof shall be subject to liability for the debts, contracts or engagements of the Optionee or his successors in interest or shall be subject to liability for the debts, contracts or engagements of the Optionee or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that nothing in this Section J shall prevent transfers by will or by the applicable laws of descent and distribution.

K. Requirements of Law

The granting of options and the issuance of shares of Common Stock upon the exercise of an option or of a stock appreciation right or the awarding of cash upon the exercise of a stock appreciation right shall be subject to all applicable laws, rules and regulations and shares shall not be issued except upon approval of proper government agencies or stock exchanges as may be required.

L. Termination of Employment

If an Optionee shall cease to be employed by the Company or its Subsidiaries as a result of retirement for age or disability, he may (subject to Section I), but only within a period of ninety days (one year in the case of options that are not incentive stock options) beginning the day following the date of such termination of employment (or the date of determination of disability for options that are not incentive stock options), exercise his option or his stock appreciation right, to the extent that he was entitled to exercise it at the date of such termination of employment (or the date of determination of disability for options that are not incentive stock options). Termination for any other reason (other than death) shall result in cancellation of the option or stock appreciation right as of the close of business on the date of such termination. For purposes of this Plan, termination of employment means removal from the Company's payroll unless otherwise agreed by the Company and the Optionee.

M. Death of Optionee

In the event of the death of an Optionee while in the employ of the Company, its Subsidiaries or its Parent Companies, the option or stock appreciation right theretofore granted to him shall be exercisable within a period of one year after the date of death and then only if and to the extent that he was entitled to exercise it at the date of his death including any option that may have been accelerated by reason of his death. Such exercise shall be made only by the executor or administrator of his estate (upon presenting proper proof of appointment and authority to act) or by the person or persons to whom his rights under the option shall have passed by his will or by the applicable laws of descent and distribution subject to the Company being properly assured and legally advised of the rights of such beneficiaries.

Notwithstanding the provisions of Sections I, L and M herein or any other provisions of the Plan, an Optionee with ten years of service shall have a two year period, and an Optionee with twenty years of service shall have a three year period, after retirement for age, death or determination of disability to exercise any option to the extent it was exercisable on the date of such event, provided that (1) for incentive stock options this two or three year period will not extend beyond the normal term of the option, and (2) for

non-incentive stock options, the normal term of the option will be extended up to a maximum term of thirteen years and one day to accommodate the two or three year extension in cases where retirement, death or determination of disability occurs within the three years prior to the end of the normal term of the option.

N. Adjustments

If the outstanding shares of the Common Stock subject to options are changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company or any other corporation by reason of merger, consolidation, recapitalization, reclassification, stock split-up, stock dividend, combination of shares or otherwise, the Committee may:

(1) in its absolute discretion and on such terms and conditions as it deems appropriate, make an appropriate and equitable adjustment in the number and kind of shares as to which all outstanding options, or portions thereof then unexercised, shall be exercisable; or

(2) in its absolute discretion and on such terms and conditions as it deems appropriate, provide, coincident with, or after the grant of any option, that such option cannot be exercised after the merger or consolidation of the Company with or into another corporation, the acquisition by another corporation or person of all or substantially all of the Company's assets or 80% or more of the Company's then outstanding voting stock or the liquidation or dissolution of the Company; and if the Committee so provides, it may, in its absolute discretion and on such terms and conditions as it deems appropriate, also provide, either by the terms of such option or by a resolution adopted prior to the occurrence of such merger, consolidation, acquisition, recapitalization, reclassification, liquidation or dissolution, that, for some period of time prior to such event, such option shall be exercisable as to all or any part of the shares subject thereto, notwithstanding anything to the contrary in this Plan and/or in any installment provisions of such option and that, upon the occurrence of such event, any option that is not exercised shall terminate and be of no further force and effect; or

(3) in its absolute discretion, provide that even if the option shall remain exercisable after any such event, from and after such event, any such option shall be exercisable only for the kind and amount of securities and/or other property, or the cash equivalent thereof, receivable as a result of such event by the holder of the number of shares of stock for which such option could have been exercised immediately prior to such event;provided, however, that if the Committee provides that any option shall not be exercisable after such event, it shall provide written notice to all holders of vested options of the occurrence of such event not less than 10 days prior to the occurrence of such event. Any adjustment or determination made by the Committee pursuant to this Section N shall be conclusive, final and binding upon all Optionees, the Company and all other interested parties.

O. Claim to Stock Option, Ownership or Employment Rights

No employee or other person shall have any claim or right to be granted options or stock appreciation rights under this Plan. No Optionee, prior to issuance of the stock, shall be entitled to voting rights, dividends or other rights of stockholders except as otherwise provided in this Plan or except as may be approved by the Committee subject to applicable law. Neither this Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Company, a Subsidiary or a Parent Company, and any such employee may be terminated at any time, with or without cause.

P. Unsecured Obligation

Optionees under this Plan shall not have any interest in any fund or specific asset of the Company by reason of this Plan. No trust shall be created in connection with this Plan or any award thereunder, and there shall be no required funding of amounts which may become payable to any Optionee.

Q. Tax Withholding

The Company, a Subsidiary or a Parent Company, as appropriate, shall have the right to deduct or withhold from all payments or distributions amounts sufficient to cover any federal, state or local taxes required by law to be withheld or paid with respect to such payments or distributions and, in the case of stock appreciation rights for which the Optionee receives Common Stock as payment, the participant or other person receiving such Common Stock may be required to pay to the Company, a Subsidiary or a Parent Company, as appropriate, the amount of any such taxes which the Company, Subsidiary or Parent Company is required to withhold with respect to such Common Stock. In the event the cash portion of a stock appreciation right is insufficient to cover the required withholding, the Optionee may be required to pay to the Company the amount of such taxes. In the case of non-qualified options, the Company may require that required withholding taxes be paid to the Company at the time the option is exercised. The Company may also permit any withholding tax obligations incurred by reason of the exercise of any stock option to be satisifed by withholding shares (that would otherwise be obtained upon such exercise) having a Fair Market Value equal to the aggregate amount of taxes which are to be withheld. In the case of persons subject to Section 16(b), such withholding shall be on terms consistent with Rule 16b-3.

R. Expenses of Plan

The expenses of administering the Plan shall be borne by the Company, its Subsidiaries and its Parent Companies.

S. Reliance on Reports

Each member of the Committee and each member of the Board shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company, its Subsidiaries and its Parent Companies and upon any other information furnished in connection with the Plan by any person or persons other than himself. In no event shall any person who is or shall have been a member of the Committee or of the Board be liable for any determination made or other action taken or any omission to act in reliance upon any report or information or for any action, including the furnishing of information taken or failure to act, in good faith.

T. Indemnification

Each person who is or shall have been a member of the Committee or of the Board or any other persons involved in the administration of this Plan shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, suit or proceeding to which he may be a party or in which he may be involved by reason of any such action taken or failure to act under the Plan and against and from any and all amounts paid by him in settlement thereof, with the Company's approval, or paid by him in satisfaction of judgment in any such action, suit or proceeding against him provided he shall give the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such person may be entitled under the Company's articles of incorporation or bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify such person or hold him harmless.

U. Amendment and Termination

Unless this Plan shall theretofore have been terminated as hereinafter provided, no options or stock appreciation rights may be granted after the tenth anniversary of the adoption of the Plan by the Board. The Committee may terminate, modify or amend the Plan in such respect as it shall deem advisable, without obtaining approval from the Company's stockholders except as such approval may be required pursuant to Rule 16b-3 or the Code. No termination, modification or amendment of the Plan may, without the consent of an Optionee to whom an option shall theretofore have been granted, adversely affect the rights of such Optionee under such option.

V. Gender

Any masculine terminology used in this Plan shall also include the feminine gender.

W. Effective Date of the Plan

This Plan was approved by the Board and the stockholders of the Company on November 5, 1989 and became effective January 1, 1990.

THE PROMUS COMPANIES INCORPORATED

By: NEIL F. BARNHART

Neil F. Barnhart
Vice President

SECOND AMENDMENT TO THE AMENDED AND RESTATED PARTNERSHIP AGREEMENT OF HARRAH'S JAZZ COMPANY

THIS SECOND AMENDMENT TO THE AMENDED AND RESTATED PARTNERSHIP AGREEMENT OF HARRAH'S JAZZ COMPANY (the "Amendment") is entered into this 31st day of March 1994, by and among HARRAH'S NEW ORLEANS INVESTMENT COMPANY, a Nevada corporation ("Harrah's"), NEW ORLEANS/LOUISIANA DEVELOPMENT CORPORATION, a Louisiana corporation ("NOLDC"), and GRAND PALAIS CASINO, INC., a Delaware corporation ("Grand Palais").

RECITALS

A. Harrah's, NOLDC and Grand Palais are general partners of Harrah's Jazz Company (the "Partnership"), a Louisiana general partnership continued pursuant to that certain Amended and Restated Partnership Agreement effective as of March 15, 1994, as amended by that certain First Amendment to the Partnership Agreement of even date therewith (the "Partnership Agreement").

B. Harrah's, NOLDC and Grand Palais desire to amend the Partnership Agreement.

AGREEMENT

NOW THEREFORE, Harrah's NOLDC and Grand Palais hereby amend the Partnership Agreement as follows:

1. The following is added as the last sentence of Section 3.01(a) hereof:

> All payments owed to each Partner under Sections 3.01(c), 3.01(e) and 3.01(f) hereof shall be credited to each such Partner's Capital Account.

2. Section 3.01(c) of the Partnership Agreement is deleted in its entirety and is restated as follows:

(c) The Partners agree that they shall receive reimbursements for all costs and expenses not reimbursed under Section 3.01(f) hereof incurred by them in connection with negotiating documents and performing acts necessary to form the Partnership, negotiating this Agreement and any amendments thereto, acquiring the Assembled Real Estate and November Real Estate, entering into the Temporary Casino Lease and the Rivergate Lease, obtaining the Permanent/Temporary Casino Financing, or otherwise in connection with the Project, prior to the closing of the Permanent/Temporary Casino Financing, not to exceed Three Million Dollars ($3,000,000) to each Partner as agreed upon by the Partnership from the proceeds of the Permanent/Temporary Casino Financing, to the extent permitted by the lenders thereof.

3. The first sentence of Section 3.01(e) of the Partnership Agreement is deleted in its entirely and is restated as follows:

> All interest and property taxes paid, and insurance and other carry costs paid or incurred by Grand Palais with respect to the Assembled Real Estate and Louisiana Jazz Company with respect to the November Real Estate, during the period from October 1, 1993 through March

15, 1994, shall be reimbursed pari passu to Grand Palais in respect of the Assembled Real Estate and Louisiana Jazz Company in respect of the November Real Estate, from the Proceeds of Major Capital Events following payment of amounts payable under Section 3.01(f) hereof.

4. The first sentence of Section 3.01(f) of the Partnership Agreement is deleted in its entirety and is restated as follows:

The Partnership shall pay and each Partner shall receive payment for certain costs set forth in Exhibit A hereof.

5. The third sentence of Section 3.01(f) of the Partnership Agreement is amended by deleting the word "soft" at the beginning of line 5 on page 27.

6. The last sentence of Section 4.09(b) of the Partnership Agreement is deleted in its entirety and restated as follows:

Such guaranteed payment shall be payable from first available Proceeds of Major Capital Events and Cash Flow, to the extent permitted by the lenders of the Permanent/Temporary Casino Financing.

7. Exhibit B to the Partnership Agreement is deleted in its entirety and the attachment to this Amendment is hereby added as the restated Exhibit B to the Partnership Agreement.

8. Except as amended by this Amendment, the Partnership Agreement shall be unchanged and shall remain in full force and effect.

9. This Amendment may be executed in several counterparts, all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all parties have not signed the same counterpart.

THUS DONE AND PASSED in multiple originals in Orleans Parish in the State of Louisiana, on the date first above written.

HARRAH'S NEW ORLEANS INVESTMENT COMPANY, a Nevada corporation

By /s/ Colin V. Reed

Colin V. Reed
Senior Vice-President

NEW ORLEANS/LOUISIANA DEVELOPMENT CORPORATION, a Louisiana corporation

By /s/ Wendell H. Gauthier

Wendell H. Gauthier
Chairman of the Board

GRAND PALAIS CASINO, INC., a Delaware corporation

By /s/ Christopher B. Hemmeter

Christopher B. Hemmeter
Chairman of the Board

ACKNOWLEDGEMENT

STATE OF LOUISIANA

PARISH OF ORLEANS

BEFORE ME, the undersigned Notary Public duly qualified in and for the Parish and State aforesaid, personally came and appeared:

COLIN V. REED

who, after being duly sworn did declare to me that he is the Senior Vice President of Harrah's New Orleans Investment Company and that by and with the authority of the Board of the Board of directors of Harrah's New Orleans Investment Company, he executed the foregoing Second Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company as the free and voluntary act and deed of such corporation for the purposes therein set forth.

IN WITNESS WHEREOF, we have hereby subscribed our names on this 31st day of March 1994.

/s/ Colin V. Reed

COLIN V. REED

WITNESSES:

/s/ Lynn Johnston

/s/ Wanda Rutland

/s/ Norma Egbert

Notary Public

My Commission Expires:
February 26, 1997

ACKNOWLEDGEMENT

STATE OF LOUISIANA

PARISH OF ORLEANS

BEFORE ME, the undersigned Notary Public duly qualified in and for the Parish and State aforesaid, personally came and appeared:

WENDELL H. GAUTHIER

who, after being duly sworn did declare to me that he is the Chairman of New Orleans/Louisiana Development Corporation and that by and with the authority of the Board of Directors of New Orleans Louisiana Development Corporation, he executed the foregoing Second Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company as the free and voluntary act and deed of such corporation for the purposes therein set forth.

IN WITNESS WHEREOF, we have hereby subscribed our names on this 31st day of March 1994.

/s/ Wendell H. Gauthier

WENDELL H. GAUTHIER

WITNESSES:

/s/ Kim St. Martin

/s/ Phil King

/s/ Deborah M. Sulzer

Notary Public

My Commission Expires: at my death

ACKNOWLEDGEMENT

STATE OF LOUISIANA

PARISH OF ORLEANS

BEFORE ME, the undersigned Notary Public duly qualified in and for the Parish and State aforesaid, personally came and appeared:

CHRISTOPHER B. HEMMETER

who, after being duly sworn did declare to me that he is the Chairman of Grand Palais Casino, Inc. and that by and with the authority of the Board of Directors of Grand Palais Casino, Inc., he executed the foregoing Second Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company as the free and voluntary act and deed of such corporation for the purposes therein set forth.

IN WITNESS WHEREOF, we have hereby subscribed our names on this 31st day of March 1994.

/s/ Christopher B. Hemmeter

CHRISTOPHER B. HEMMETER

WITNESSES:

/s/ Anthony Fadella

/s/ Lou Fadella

/s/ Steven H. Schultz

Notary Public

My Commission Expires: March 20, 1995

ATTACHMENT TO SECOND AMENDMENT OF THE AMENDED AND RESTATED PARTNERSHIP AGREEMENT OF HARRAH'S JAZZ COMPANY

EXHIBIT "B"

REAL ESTATE AND EXISTING LIENS AND OBLIGATIONS

EXHIBIT B-1 - ASSEMBLED REAL ESTATE

I. LEGAL DESCRIPTION OF ASSEMBLED REAL ESTATE

The following real property constitutes the "Assembled Real Estate":

PARCEL I

508-510 SOUTH PETERS STREET

A CERTAIN LOT OF GROUND, together with all the buildings and improvements thereon, and all the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in anywise appertaining, situated in the First District of New Orleans, in SQUARE NO. 16, bounded by South Peters, Poydras, Fulton and Lafayette Streets, designated by the LETTER "H" and measuring 22 feet, 11 inches front on South Peters Street, about the same width in the rear, by about 70 feet in depth. And which said lot is designated as part of original Lot 4 on survey made by Guy J. Seghers, Engineer and Surveyor, dated May 31, 1938, a print of which is attached to act passed before Louis H. Yarrut, Notary Public, on July 1, 1938, and according to which said lot measures a distance of 69 feet, 1 inch, 4 lines from the corner of South Peters and Poydras Streets, 22 feet, 11 inches, 6 lines front on South Peters Street, by a depth on the side line nearest Poydras Street of 69 feet, 2 inches, 7 lines and a depth on the other side line nearest Lafayette Street of 69 feet, 3 inches, 7 lines, and a width in the rear of 23 feet, being composed of the greater portion of original Lot 4.

The improvements bear the Municipal Nos. 508-510 South Peters Street.

In accordance with survey by Gandolfo, Kuhn & Associates, Land Surveyors, originally dated August 25, 1992, recertified March 10, 1994, said lot measures 23 feet, 1 inch and 2 eighths front on South Peters Street, and a width in the rear of 23 feet, 1 inch, by a depth on the side line nearest Poydras Street of 69 feet, 2 inches and 7 eighths by a depth on the other side line nearest Lafayette Street of 69 feet, 3 inches and 7 eighths.

PARCEL II

MATT II

A CERTAIN SQUARE OF GROUND, together with all the buildings and improvements thereon, and all the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in anywise appertaining, situated in the First District of the City of New Orleans, and designated by the NO. 5, which said square is bounded by Front, Fulton, Lafayette and Girod Streets and measures 117 feet, 6 inches, 2 lines front on Lafayette Street, 120 feet, 1 inch, 2 lines front on Girod Street, 363 feet, 7 inches, 1 line front on Fulton Street and 364 feet, 5 inches, 5 lines front on Front Street, all more or less, said property being particularly described as follows, to-wit:

1. SIX CERTAIN LOTS OF GROUND, together with all the buildings and improvements thereon, and all the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in anywise appertaining, situated in the First District of New Orleans, in SQUARE NO. 5, bounded by Front, Fulton, Lafayette and Girod Streets, and designated by the NOS. 2 TO 7, INCLUSIVE, on a plan by F.A. Beard, certified unto Hugh Grant, Surveyor, under date of January 12, 1853, deposited for reference in the office of H.B. Conas, then a notary in the City of New Orleans. Said lots adjoin each other and measure each 24 feet, 2 inches, 7 lines front on Fulton Street, 24 feet, 3 inches, 3 lines front on Front Street, by the following depths, viz: 117 feet, 8 inches, 3 lines on the side of Lot 2 adjoining Lot 1, 117 feet, 10 inches, 4 lines on the dividing line between Lots 2 and 3, 118 feet, 5 lines on the dividing line between Lots 3 and 4, 118 feet, 2 inches, 6 lines on the dividing line between Lots 4 and 5, and 118 feet, 4 inches, 7 lines on the dividing line between Lots 5 and 6, and 118 feet, 7 inches on the dividing line between Lots 6 and 7, and 118 feet, 9 inches, 2 lines on the side line of Lot 7, adjoining Lot 8.

2. THREE CERTAIN LOTS OF GROUND, together with all the buildings and improvements thereon, and all the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in anywise appertaining, situated in the same District and Square as the property hereinabove described designated by the NOS. 8, 9 AND 10, and measuring, in American Measure, as follows, to-wit:

Lot 8 measures 24 feet, 2 inches, 7 lines front on Fulton Street, 24 feet, 3 inches, 3 lines front on Front Street, by 118 feet, 9 inches, 2 lines in depth on the line dividing it from Lot 7 and 118 feet, 11 inches, 2 lines in depth on the line dividing it from Lot 9, and Lot 9 measures 24 feet, 2 inches, 7 lines front on Fulton Street, 24 feet, 3 inches, 3 lines front on Front Street, by 118 feet, 11 inches, 2 lines in depth on the line dividing it from Lot 8 and 119 feet, 1 inch, 2 lines in depth on the line dividing it from Lot 10, and Lot 10 measures 24 feet, 2 inches, 7 lines front on Fulton Street, 24 feet, 3 inches, 3 lines front on Front Street, by 119 feet, 1 inch, 2 lines on the line dividing it from Lot 9 and 119 feet, 3 inches, 2 lines in depth on the line dividing it from Lot 11.

3. TWO CERTAIN LOTS OF GROUND, together with all the buildings and improvements thereon, and all the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in anywise appertaining, situated in the same District and Square as the property hereinabove firstly described, designated by the NOS. 11 AND 12 on a plan by J.A. Beard, duly certified by H. Grant, dated January 12, 1852, and deposited in the office of H.B. Conas, then a Notary Public, which said lots measure as follows:

Lot 11 measures 24 feet, 2 inches, 7 lines front on Fulton Street, 24 feet, 3 inches, 3 lines front on Front Street, by 119 feet, 5 inches, 2 lines in depth on the line dividing it from Lot 12, and 119 feet, 3 inches, 2 lines in depth on the line dividing it from Lot 10, all American Measure; and Lot 12 measures 24 feet, 2 inches, 7 lines front on Fulton Street; 24 feet, 3 inches, 2 lines front on Front Street, by 119 feet, 5 inches, 2 lines in depth on the line dividing it from Lot 11 and 119 feet, 7 inches, 2 lines on the line dividing it from Lot 13.

4. THREE CERTAIN LOTS OF GROUND, together with all the buildings and improvements thereon, and all the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in anywise appertaining, situated in the First District of New Orleans, in SQUARE NO. 5, bounded by Fulton, Girod, Front and Lafayette Streets, designated by the NOS. 15, 13, AND 14.

Lot 15 measures 24 feet, 2 inches, 7 lines front on Fulton Street, 120 feet, 1 inch and 2 lines front on Girod Street, 24 feet, 3 inches, 3 lines front on Front Street, and 119 feet, 11 inches, 2 lines on the line of Lot 14; Lot 13 measures 24 feet, 2 inches and 7 lines front on Fulton Street; 24 feet, 3 inches and 3 lines on Front Street, by 119 feet, 7 inches and 2 lines in depth on the line dividing it from Lot 12, and 119 feet, 9 inches and 2 lines in depth on the line dividing it from Lot 14; Lot 14 measures 24 feet, 2 inches and 7 lines on Fulton Street, 24 feet, 3 inches and 3 lines on Front Street, by 119 feet, 9 inches and 2 lines in depth on the line dividing it from Lot 13, and 119 feet, 11 inches, 2 lines in depth on the line dividing it from Lot 15.

5. A LOT OF GROUND, together with all the buildings and improvements thereon, and all the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in anywise appertaining, situated in the First District of New Orleans, in SQUARE NO. 5, bounded by Front, Fulton, Lafayette and Girod Streets, designated as LOT NO. 1, on a plan certified by Hugh Grant, late Surveyor of Municipality No. 1, under date of January 12, 1852, and deposited for reference in the office of H.B. Conas, then Notary, which said lot forms the corner of Fulton and Lafayette Streets, and measures 24 feet, 3 inches, 3 lines front on Front Street, 24 feet, 2 inches, 7 lines front on Fulton Street, by 117 feet, 6 inches, 2 lines in depth and front on Lafayette Street, and 117 feet, 8 inches, 3 lines in depth on the line dividing it from Lot 2, all American Measure.

In accordance with survey by Gandolfo, Kuhn & Associates, Land Surveyors, originally dated November 23, 1992, and recertified March 10, 1994, said square measures 363 feet, 6 inches, 2 eights front on Fulton Street; 364 feet, 0 inches and 6 eighths front on Convention Center Boulevard (formerly S. Front Street); 120 feet, 2 inches and 6 eighths front on Girod Street and 118 feet, 1 inch and 1 eighth front on Lafayette Street.

PARCEL III

228 POYDRAS STREET

TWO CERTAIN LOTS OF GROUND, together with all the buildings and improvements thereon, and all the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in anywise appertaining, situated in the First District of the City of New Orleans, in SQUARE NO. 16, bounded by Poydras, South Peters, Lafayette and Fulton Streets, designated as LOTS NOS. 4 AND 5 on a survey made by F.C. Gandolfo, Jr., Surveyor, dated July 20, 1940, redated December 17, 1941, and according to which said lots adjoin and together measure 46 feet, 0 inches and 2 lines front on Poydras Street, 46 feet, 3 inches and 3 lines in width in the rear, by a depth and front on South Peters Street of 68 feet, 10 inches and 2 lines, title measurement, 68 feet, 11 inches and 4 lines, actual measurement, and a depth on the other side, nearer to Fulton Street, of 68 feet, 10 inches and 2 lines, title measurement, 69 feet, 1 inch and 2 lines, actual measurement.

The above is also in accordance with survey by Gandolfo, Kuhn & Associates, Land Surveyors, originally dated August 25, 1992, recertified March 10, 1994.

Improvements thereon bear the Municipal Number 228 Poydras Street.

PARCEL IV

RIVERFRONT INVESTORS

A CERTAIN PLOT OF GROUND, together with all the buildings and improvements thereon, and all the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in anywise appertaining, situated in the Parish of Orleans in the First District of the City of New Orleans, SQUARE NO. 26, bounded by Peters (New Levee), Front, Gaiennie and Calliope (late Louisa) Streets, measuring 191 feet, 10 inches front on Peters Street and about 306 feet front on each Calliope and Gaiennie Street.

And in accordance with survey made by Gandolfo, Kuhn & Associates, Surveyors, originally dated May 7, 1992, recertified March 10, 1994, said property is shown to be the whole of Square 26 of the First District of the City of New Orleans, said square being bounded by South Peters, Calliope, Gaiennie Streets and Convention Center Boulevard (formerly S. Front Street), and measures a distance of 192.14 feet front on South Peters Street, a distance of 307.14 feet front on Calliope Street, a distance of 192.14 feet front on Convention Center Boulevard (formerly S. Front Street) and a distance of 307.14 feet front on Gaiennie Street.

PARCEL V

512 SOUTH PETERS STREET

A CERTAIN PORTION OF GROUND, together with all the buildings and improvements thereon, and all the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in anywise appertaining, situated in the First District of New Orleans, Orleans Parish, State of Louisiana, in SQUARE NO. SIXTEEN, bounded by Fulton, Lafayette, South Peters and Poydras Street, designated by the LETTER "A" on a sketch and certificate of survey by F.C. Gandolfo, Jr., Surveyor, dated June 7th, 1946, annexed to an act before Leon Sarpy, Notary Public in the City of New Orleans, dated June 15, 1946, registered in COB 547, folio 132, which said sketch and certificate of survey is made a part thereof, according to which said Lot "A" commences at a distance of ninety-one feet, eleven inches and one line (91'11"1 ''') from the corner of Poydras and South Peters Streets, at a distance of ninety-two feet, four inches and five lines (92'4"5''') from the corner of Poydras and Fulton Streets, and has the following measurements:

Lot "A" measures one hundred fifteen feet, two inches and two lines (115'2"2''') front on South Peters Street, by actual measurement, one hundred fourteen feet, nine inches and six lines 114'9"6') according to title measurement, by a depth on the side line nearest Poydras Street running through said square from South Peters to Fulton Street, of one hundred fifteen feet, six inches and five lines (115'6"5''') by actual measurement, and one hundred fifteen feet, four inches and six lines (115'4"6''') according to title measurements, and thence has a front on Fulton Street of one hundred fifteen feet, no inches and two lines (115'0"2''') according to actual measurement, one hundred fifteen feet, three inches and six lines (115'3"6''') according to title measurements, by a depth on the side line nearest Lafayette Street, running through said square from South Peters to Fulton Street, of one hundred sixteen feet, two inches and one line (116'2"1''') actual and title measurement, one hundred sixteen feet, three inches, four lines (116'3"4''') according to Gandolfo's measurements. Said Lot "A" is composed of original Lots Five, Six, Seven, Eight and Nine (5, 6, 7, 8 and 9).

Together with all the buildings, improvements and other constructions situated on the above described immovable property and all appurtenances, rights, ways, privileges, servitudes, prescriptions and advantages thereunto belonging or in anywise appertaining, including, but without limitation, all component parts of the above-described immovable property, and all component parts of any building, improvement, or other construction located on the abovedescribed immovable property.

The improvements bear the Municipal Nos. 512-526 South Peters Street.

And according to a survey dated November 30, 1979, redated June 22, 1981, and recertified July 27, 1992, January 13, 1993 and March _____, 1994, by John E. Walker, Civil Engineer.

PARCEL VI

224 POYDRAS

THAT PORTION OF GROUND, together with all the buildings and improvements thereon, and all of the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in anywise appertaining, situated in the First District of the City of New Orleans, State of Louisiana, in SQUARE NO. 16, bounded by South Peters Street, Fulton Street, Lafayette Street and Poydras Street, designated by the NO. 3 on plan or sketch marked "A" annexed to an act passed on May 13, 1852, before H. P. Cenas, late Notary Public, said lot measures 22 feet, 11 inches, 4 lines front on Poydras Street by a depth of 68 feet, 6 inches, 2 lines, all more or less.

The improvements thereon bear Municipal No. 224 Poydras Street, New Orleans, Louisiana.

In accordance with survey of James H. Couturie, dated September 22, 1982, the property is described as follows:

Lot 3 begins 46.02 feet from the intersection of South Peters and Poydras Streets and measures thence 22 feet, 11 inches, 4 lines front on Poydras Street, same width in the rear, by a depth of 69 feet, 1 inch 2 lines (actual) 68 feet, 6 inches, 2 lines, more or less, (title), on the South Peters Street side, and 69 feet, 2 inches, 1 line (actual) 68 feet, 6 inches, 2 lines, more or less (title) on the Fulton Street side.

All in accordance with the plat of survey of Gandolfo, Kuhn & Associates bearing Drawing No. L-15, originally dated August 25, 1992, and most recently recertified March 10, 1994, a print of which is annexed hereto and made a part hereof.

PARCEL VII

LOT 3CP

A CERTAIN PIECE OR PORTION OF GROUND, together with all the buildings and improvements thereon, situated in the Second District, City of New Orleans, designated as Lot 3CP of Canal Place, on a plan of resubdivision by the office of Gandolfo, Kuhn, Luecke & Associates, dated March 15, 1982, (Dwg. No. E-170-12), approved by the City Planning Commission on July 8, 1982, registered as Declaration of Title Change under COB 783, folio 63 and more particularly described as follows in accord with a plan of Gandolfo, Kuhn & Associates, bearing Dwg. No. E-170-13A dated May 13, 1985, and Drawing No. T-144-31, dated November 23, 1992, as follows:

Commence at the intersection of the northerly line of Canal Street and the easterly line of No. Peters Street, said point being designated by the letter B; thence along the northerly line of Canal Street, S52 44'02"E, 398.18 feet to the division line between Lots 2CP and 3CP and the point of beginning; thence along said division line N37 15'58"E, 169.50 feet; thence along said division line S52 44'02"E, 129.37 feet to the division line between Lots 3CP and S-1; thence along said division line S8 17'09"W, 193.76 feet to the northerly line of Canal Street, thence along said line, N52 44'02"W, 223.25 feet to the point of beginning, containing 29,885 square feet.

All in accordance with the plat of survey of Gandolfo, Kuhn, Luecke & Associates, Dwg. No. E170-13B, originally dated July 29, 1993, and recertified March 10, 1994, annexed hereto and made a part hereof.

II. EXISTING LIENS WITH RESPECT TO ASSEMBLED REAL ESTATE

1. Collateral Mortgage by Celebration Park Casino, Inc., in favor of future holder or holders of the collateral mortgage note thereby secured, in the amount of $50,000,000.00, passed before Margaret T. Alphonso, Notary Public, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962316, as Mortgage Office Instrument No. 190775; in MOB 2923, folio 400, as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., passed before Kay W. Eagan, Notary Public, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03466, as Mortgage Office Instrument No. 194606, records of Orleans Parish, Louisiana; as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc. dated February 1, 1993, recorded February 1, 1993, under N.A. No. 93-05848, as Mortgage Office Instrument No. 196614; as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., dated April 27, 1993, recorded April 27, 1993, under N.A. No. 93-18039, as Mortgage Office Instrument No. 206500, MOB 2950, folio 478 securing the Celebration Park Senior Debt (as hereinafter defined).

2. Mortgage by 228 Poydras Street Parking Limited Partnership, in favor of Resort Income Investors, dated August 27, 1992, passed before Laura L. Featherstone, Notary Public, securing debt in the amount of $580,000.00, recorded in Orleans Parish, Louisiana on September 2, 1992 under N.A. No. 947775 and registered as Mortgage Office Instrument No. 179275 securing the Resort Income Investors Debt (as hereinafter defined).

3. Act of Credit Sale and Mortgage, in favor of Riverfront Investors Group, dated July 27 and 28, 1992, passed before Albert J. Derbes III, Notary Public and Gayle Mercer, Notary Public, received in Orleans Parish on August 14, 1992, N.A. No. 945887 and registered recorded as Mortgage Officer Instrument No. 177803, Conveyance Office Instrument No. 56490 securing the Square 26 Debt (as hereinafter defined).

4. Collateral Mortgage by Grand Palais Casino, Inc., in favor of future holders (payable at First National Bank of Commerce), dated July 30, 1993, filed August 2, 1993, under N.A. No. 93-31984, in MOI No. 217805 securing the 3CP Debt (as hereinafter defined).

5. That certain Collateral Mortgage Note in the amount of $50,000,000.00 dated December 15, 1992, payable to Bearer in connection with the Celebration Park Senior Debt.

6. That certain note by 228 Poydras Street Parking Limited Partnership in the amount of $580,000.00 dated August 27, 1992 payable to Resort Income Investors in connection with the Resort Income Investors Debt.

7. Note payable to Riverfront Investors Group dated July 27, 1992, in the amount of $1,000,000.00 in connection with the Square 26 Debt.

8. Collateral Mortgage Note dated July 30, 1993 in the amount of $10,000,000.00 payable to Bearer in connection with the 3CP Debt.

III. EXISTING DEBT WITH RESPECT TO ASSEMBLED REAL ESTATE

1. 3CP Debt. Debt under that Credit Agreement dated July 30, 1993 among Grand Palais Casino, Inc., Grand Palais Enterprises, Inc., Grand Palais Riverboat, Inc., Grand Palais Terminal, Inc., Christopher B. Hemmeter, Patricia K. Hemmeter and First National Bank of Commerce, in the original principal amount of $3,187,500.00 and having an outstanding principal balance as of March 1, 1994 equal to $3,087,992.43 (the "3CP Debt").

2. Celebration Park Senior Debt. The following debt (the "Celebration Park Senior Debt"):

(a) Debt evidenced by those certain 12% Senior Secured Notes due August 15, 1994 issued December 15, 1992 by Celebration Park Casino, Inc. (n/k/a Grand Palais Casino, Inc.) under that certain Indenture dated as of December 15, 1992, as amended, in the original principal amount of $5.5 Million, having an outstanding principal as of February 15, 1994 equal to $4,146,000.00.

(b) Debt evidenced by those certain Senior Secured Exchangeable Notes due August 15, 1994 issued January 28, April 27 and September 15, 1993 by Celebration Park Casino, Inc. under that certain Indenture dated as of January 28, 1993 in the original principal amount of $43 Million, having an outstanding principal balance as of February 15, 1994 equal to $39,185,013.53.

3. Square 26 Debt. Debt evidenced by that certain Promissory Note given by Square No. 26 Parking Limited Partnership to Riverfront Investors Group, a partnership in commendam, dated July 28, 1993, in the original and current principal amount of $1,000,000.00 (the "Square 26 Debt").

4. Resort Income Investors Debt. Debt evidenced by that certain Promissory Note dated August 27, 1992 given by 228 Poydras Street Limited Partnership to Resort Income Investors, Inc. in the original principal amount of $580,000, having a principal balance outstanding as of March 1, 1994 equal to $580,000 (the "Resort Income Investors Debt").

EXHIBIT B-2 - NOVEMBER REAL ESTATE

I. LEGAL DESCRIPTION OF NOVEMBER REAL ESTATE

The following real property constitutes the "November Real Estate":

PARCEL I

237 LAFAYETTE STREET

THAT PORTION OF GROUND, together with all rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging, situated in the First District of the City of New Orleans, Parish of Orleans, State of Louisiana, in SQUARE NO. 16, bounded by New Levee, now Peters, Fulton, Poydras and Lafayette Streets, designated as LOTS NUMBERS FOURTEEN AND FIFTEEN on a plan of J. A. Beard, certified by Hugh Grant, dated January 12, 1852, deposited in the office of H. B. Cenas, late Notary Public, and measuring as follows:

Lot 14, twenty-one feet, eleven inches and five lines front on Peters Street, twenty-three feet and six lines front on Fulton Street, by one hundred and sixteen feet, nine inches and three lines deep on the line of Lot No. 13, and one hundred and sixteen feet, eleven inches and one line deep on the line of Lot No. 15.

Lot 15, measures twenty-one feet, eleven inches and five lines front on Peters Street, by twenty-three feet and six lines front on Fulton Street, by one hundred and sixteen feet, eleven inches and one line of Lot 14, and one hundred and seventeen feet and seven lines on the line of Lot No. 16.

THAT PORTION OF GROUND, together with all the buildings and improvements thereon, situated in the First District of the City of New Orleans, Parish of Orleans, State of Louisiana, in SQUARE NO. 16, bounded by Peters (late New Levee), Fulton, Lafayette and Poydras Streets, designated as Lot 16 on a plan of J. A. Beard, certified by H. Grant, Surveyor, on January 12, 1852, and deposited for reference in the office of H. B. Cenas, late Notary Public. Said lot measures twenty-two feet, eleven inches and five lines front on S. Peters Street, twenty-three feet, six lines front on Fulton Street by a depth in front on Lafayette Street of one hundred and seventeen feet, two inches and five lines and a depth of one hundred and seventeen feet, seven inches on the opposite side line.

Improvements thereon bear the Municipal Number 237 Lafayette Street, New Orleans, Louisiana (the "Land").

All as more fully described on a survey drawing no. L-15 by Gandolfo, Kuhn & Associates originally dated August 25, 1992, and most recently recertified March 10, 1994.

PARCEL II

528 SOUTH PETERS STREET

ONE CERTAIN LOT OF GROUND, together with all rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging, situated in the First District of the City of New Orleans, Orleans Parish, State of Louisiana, in SQUARE 16 thereof, bounded by South Peters, Lafayette, Fulton and Poydras Streets, designated as LOT 10 on the survey made by Gilbert, Kelly & Couturie, Inc., Surveying and Engineering, dated September 17, 1979, and according to which said lot commences at a distance of 137 feet, 9 inches and 6 lines from the corner of South Peters and Lafayette Streets, and also commences at a distance of 138 feet, 4 inches and 4 lines from the corner of Fulton and Lafayette Streets, and measures 22 feet, 11 inches and 5 lines front on South Peters Street, a width in the rear and front on Fulton Street of 23 feet, 0 inches and 6 lines, by a depth on the sideline nearer to Lafayette Street of 116 feet, 4 inches, by a depth on the opposite sideline of 116 feet, 2 inches and 1 line.

The improvements thereon bear Municipal No. 528 South Peters Street and No. 529 Fulton Street.

All as more fully described on a survey by Gandolfo, Kuhn & Associates originally dated August 25, 1992 and most recently recertified March 10, 1994.

PARCEL III

530 S. PETERS STREET

THREE CERTAIN LOTS OF GROUND, together with all rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging, situated in the First District of the City of New Orleans, Orleans Parish, State of Louisiana, in the SQUARE NO. 16, bounded by South Peters (late New Levee), Fulton, Lafayette and Poydras Streets, said three lots being designated by the NOS. 11, 12 and 13 on print of survey of E.L. Eustis, Civil Engineer, dated January 15, 1941, and according to which said lots adjoin each other and measure as follows:

Lot 13 lies nearest to Lafayette Street and begins at a distance from the intersection of Lafayette and South Peters Streets of sixty-six feet, ten inches and seven lines (66'10"7''') title (sixty eight feet, ten inches, and seven lines, 68'10"7''' actual) and measures on South Peters Street in the direction of Poydras Street twenty-two feet, eleven inches and five lines (22'11"5''') by a depth on the side line nearest Lafayette Street of one hundred sixteen feet, nine inches, and three lines (116'9"3'''), a depth on the opposite side line nearer Poydras Street of one hundred sixteen feet, seven inches and five lines (116'7"5''') with a frontage on Fulton Street of twenty-three feet, six inches, and no lines (23'6"0''') title (twenty-three feet, no inches, and six lines 23'0"6''' actual). The nearest point of said frontage being sixty-nine feet, two inches, and two lines (69'2"2''') from the intersection of Lafayette and Fulton Streets.

Lot 12 adjoins Lot 13 and measures twenty-two feet, eleven inches, and five lines (22'11"5''') front on South Peters Street by a depth on a side line nearer Lafayette Street side line being the dividing line between Lots 12 and 13 of one hundred sixteen feet, seven inches, and five lines (116'7"5'''), a depth on the opposite side adjoining Lot 11 of one hundred sixteen feet, five inches, and seven lines (116'5"7''') with a frontage on Fulton Street of twenty-three feet, six inches, and no lines (23'6"0''') title (twenty-three feet, no inches and six lines, 23'0"6''' actual).

Lot 11 adjoins Lot 12 on the side of Lot 12 nearer Poydras Street and measures twenty-two feet, eleven inches and five lines (22'11"5''') front on South Peters Street by a depth on the side line nearer Lafayette Street, which is the dividing line between Lots 11 and 12, one hundred sixteen feet, five inches, and seven lines (116'5"7''') with a depth on the opposite side line nearer Poydras Street of one hundred sixteen feet, four inches, and no lines (116'4"0''') with a frontage on Fulton Street of twenty-three feet, six inches, and no lines (23'6"0''') title (twenty-three feet, no inches, and six lines, 23'0"6''' actual) (the "Land").

All as more fully described on a survey by Gandolfo, Kuhn & Associates originally dated August 25, 1992, and most recently recertified March 10, 1994.

PARCEL IV

MATT I

A CERTAIN PARCEL OF LAND, together with all rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging, and any and all buildings, improvements and other constructions located thereon, situated in the First District of the City of New Orleans, in SQUARE 4, Orleans Parish, Louisiana, bounded by Convention Center Boulevard (formerly Front Street), Lafayette, Fulton and Poydras Streets, which said parcel is designated as LOT 1 and is the only lot of and comprises the whole of said Square 4, on plan of subdivision of Stephen L. Gremillion of Engineering Technology, Inc., dated June 28, 1982, approved by the City Planning Commission under Subdivision Docket No. 96/82, registered as a Declaration of Title Change under Entry No. 466470 in COB 781, folio 237, records of Orleans Parish. According to survey by John J. Avery, Jr., L.S., dated August 24, 1990 (the "Survey"), said Lot 1 is described as follows:

Commencing at the intersection of the westerly right of way line of Convention Center Boulevard (late South Front Street) and the southerly right of way line of Poydras Street and being the POINT OF BEGINNING; from said POINT OF BEGINNING, thence South 02 degrees, 24 minutes, 03 seconds East along the westerly right of way line of Convention Center Boulevard a distance of 371 feet, 1 inch, 0 eighths (371.35' Title) to a point on the northerly right of way line of Lafayette Street; thence North 75 degrees, 59 minutes, 06 seconds West along the northerly right of way line of Lafayette Street a distance of 117 feet, 7 inches, 4 eights (117.24' Title) to a point on the easterly right of way line of Fulton Street; thence North 02 degrees, 01 minutes, 00 seconds West along the easterly right of way line of Fulton Street a distance of 369 feet, 10 inches, 1 eighth (370.10' Title) to a point on the southerly right of way line of Poydras Street; thence South 76 degrees, 14 minutes, 00 seconds East along the southerly right of way line of Poydras Street a distance of 114 feet, 10 inches, 6 eighths (114.65' Title) to the POINT OF BEGINNING.

AND

A CERTAIN LOT OF GROUND, together with all rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging, and any and all buildings, improvements and other constructions located thereon, situated in the First District of the City of New Orleans, in SQUARE 16, bounded by Poydras, Fulton, South Peters and Lafayette Streets, which said lot is designated as LOT F on a plan of resubdivision by Stephen L. Gremillion of Engineering Technology, Inc., dated June 28, 1982, approved by the City Planning Commission under Subdivision Docket No. 96/82, registered as a Declaration of Title Change under Entry No. 466470 in COB 781, folio 237, records of Orleans Parish.

According to the Survey, said Lot F is more fully described and measures as follows:

Commencing at the intersection of the westerly right of way line of Fulton Street and the southerly right of way line of Poydras Street and being the POINT OF BEGINNING; from said POINT OF BEGINNING, thence South 02 degrees, 01 minutes, 00 seconds East along the westerly right of way line of Fulton Street a distance of 92 feet, 4 inches, 5 eighths (91.93' Title) to a point; thence North 76 degrees, 07 minutes, 00 seconds West a distance of 46 feet, 9 inches, 7 eighths (46.82' Title) to a point; thence North 02 degrees, 01 minutes, 00 seconds West a distance of 23 feet, 6 inches, 0 eighths (23.50' Title) to a point; thence South 76 degrees, 07 minutes, 00 seconds East a distance of 0 feet, 8 inches, 0 eighths (0.44' Title) to a point; thence North 01 degrees, 53 minutes, 46 seconds West a distance of 68 feet, 9 inches, 0 eighths (68.85' Title) to a point on the southerly right of way line of Poydras Street; thence South 76 degrees, 14 minutes, 00 seconds East along the southerly right of way line of Poydras Street a distance of 45 feet, 11 inches, 6 eighths (45.92' Title) to the POINT OF BEGINNING (the "Land and Improvements").

All as more fully described on a survey by Gandolfo, Kuhn & Associates originally dated August 25, 1992, and most recently recertified March 10, 1994.

II. EXISTING LIENS WITH RESPECT TO NOVEMBER REAL ESTATE

1. Collateral Mortgage by Louisiana Jazz Company, in favor of Bearer, in the amount of $25,000,000.00, passed before L. R. Adler, Notary Public, dated November 30, 1993, recorded December 1, 1993, under N.A. No. 93-51172, as Mortgage Office Instrument No. 2350801, in MOB 2991, folio 15, securing the FNBC Debt (as hereinafter defined).

2. That certain Collateral Mortgage Note in the amount of $25,000,000.00 dated November 30, 1993, payable to Bearer, in connection with the FNBC Debt.

III. EXISTING DEBT WITH RESPECT TO NOVEMBER REAL ESTATE

Debt evidenced by that certain Term Note given by Louisiana Jazz Company, a Louisiana general partnership to First National Bank of Commerce dated November 30, 1993 in the original principal amount of $17,827,177.49, having an outstanding principal balance as of March 1, 1994 equal to $17,755,177.49 (the "FNBC Debt").

THE PROMUS COMPANIES INCORPORATED
COMPUTATION OF PER SHARE EARNINGS

	First Quarter Ended	
	March 31, 1994	March 31, 1993
Income before extraordinary items	$ 27,372,000	$ 11,965,000
Extraordinary items, net	-	(1,009,000)
Net income	$ 27,372,000	$ 10,956,000
Primary earnings per share (1)		
Weighted average number of common shares outstanding	101,503,574	99,375,771
Common stock equivalents		
Additional shares based on average market price for period applicable to:		
Restricted stock	459,462	1,484,790
Stock options	944,198	391,314
Average number of primary common and common equivalent shares outstanding	102,907,234	101,251,875
Primary earnings per common and common equivalent share		
Income before extraordinary items	$0.27	$ 0.12
Extraordinary items	-	(0.01)
Net income	$0.27	$ 0.11
Fully diluted earnings per share (1)		
Average number of primary common and common equivalent shares outstanding	102,907,234	101,251,875
Additional shares based on period-end price applicable to:		
Restricted stock	11,618	32,616
Stock options	-	100,635
Average number of fully diluted common and common equivalent shares outstanding	102,918,852	101,385,126
Fully diluted earnings per common and common equivalent share		
Income before extraordinary items	$0.27	$ 0.12
Extraordinary items	-	(0.01)
Net income	$0.27	$ 0.11

(1) March 31, 1993 amounts have been retroactively adjusted for three-for-two stock split approved by Promus' Board of Directors on October 29, 1993.