

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 JUNE 30, 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
(State of Incorporation)

I.R.S. No. 62-1411755
(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
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At June 30, 1994, there were outstanding 102,398,252 shares of the
Company's Common Stock.

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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)	June 30, 1994	Dec. 31, 1993
ASSETS		
Current assets		
Cash and cash equivalents	\$ 57,553	\$ 61,962
Receivables, including notes receivable of \$1,845 and \$2,197, less allowance for doubtful accounts of \$10,753 and \$10,864	44,051	47,448
Deferred income taxes	23,169	21,024
Supplies	12,918	12,996
Prepayments and other	20,466	20,128
	-----	-----
Total current assets	158,157	163,558
	-----	-----
Land, buildings, riverboats and equipment	1,933,706	1,824,433
Less: accumulated depreciation	(524,627)	(486,231)
	-----	-----
	1,409,079	1,338,202
Investments in and advances to nonconsolidated affiliates	82,348	70,050
Deferred costs and other	239,515	221,308
	-----	-----
	\$1,889,099	\$1,793,118
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 47,995	\$ 60,530
Construction payables	16,395	26,345
Accrued expenses	148,891	162,969
Current portion of long-term debt	2,777	2,160
	-----	-----
Total current liabilities	216,058	252,004
Long-term debt	875,026	839,804
Deferred credits and other	103,678	86,829
Deferred income taxes	61,594	63,460
	-----	-----
	1,256,356	1,242,097
	-----	-----
Minority interests	19,921	14,984
	-----	-----
Commitments and contingencies (Notes 5 and 6)		
Stockholders' equity		
Common stock, \$0.10 par value, authorized - 360,000,000 shares, outstanding - 102,398,252 and 102,258,442 shares (net of 9,784 and 25,251 shares held in treasury)	10,240	10,226
Capital surplus	351,076	344,197
Retained earnings	256,517	187,203
Deferred compensation related to restricted stock	(5,011)	(5,589)
	-----	-----
	612,822	536,037
	-----	-----
	\$1,889,099	\$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)	Second Quarter Ended June 30, 1994	June 30, 1993	Six Months Ended June 30, 1994	June 30, 1993
Revenues				
Casino	\$283,474	\$200,620	\$526,484	\$366,800
Rooms	54,947	60,712	106,057	117,884
Food and beverage	41,999	37,345	80,405	70,541
Franchise and management fees	19,781	15,242	35,601	28,162
Other	33,014	26,454	59,453	47,881
Less: casino promotional allowances	(30,870)	(24,126)	(59,868)	(45,814)
	-----	-----	-----	-----
Total revenues	402,345	316,247	748,132	585,454
	-----	-----	-----	-----
Operating expenses				
Direct				
Casino	115,775	88,854	228,409	171,491
Rooms	22,808	28,117	44,600	53,164
Food and beverage	25,655	25,180	45,840	42,119
Depreciation of buildings, riverboats and equipment	23,109	19,445	44,501	37,653
Other	103,694	79,422	188,067	150,676
	-----	-----	-----	-----
Total operating expenses	291,041	241,018	551,417	455,103
	-----	-----	-----	-----
	111,304	75,229	196,715	130,351
Property transactions	(199)	15	(397)	(250)
	-----	-----	-----	-----
Operating income	111,105	75,244	196,318	130,101
Corporate expense	(7,493)	(7,471)	(13,031)	(14,180)
Interest expense, net of interest capitalized	(26,835)	(28,382)	(52,572)	(56,327)
Interest and other income	463	420	894	776
	-----	-----	-----	-----
Income before income taxes and minority interest	77,240	39,811	131,609	60,370
Provision for income taxes	(32,034)	(16,457)	(54,461)	(25,051)
Minority interests	(3,265)	(539)	(7,835)	(539)
	-----	-----	-----	-----
Income before extraordinary items	41,941	22,815	69,313	34,780
Extraordinary losses on extinguishments of debt, net of income tax benefit of \$211 and \$890	-	(316)	-	(1,325)
	-----	-----	-----	-----
Net income	\$ 41,941	\$ 22,499	\$ 69,313	\$ 33,455
	=====	=====	=====	=====
Earnings per share before extraordinary items	\$ 0.41	\$ 0.22	\$ 0.67	\$ 0.34
Extraordinary items, net	-	-	-	(0.01)
	-----	-----	-----	-----
Earnings per share	\$ 0.41	\$ 0.22	\$ 0.67	\$ 0.33
	=====	=====	=====	=====
Average common shares outstanding	102,826	102,343	102,858	102,192
	=====	=====	=====	=====

See accompanying Notes to Consolidated Condensed Financial Statements.

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

(In thousands)	Second Quarter Ended June 30, 1994	June 30, 1993
Cash flows from operating activities		
Net income	\$ 69,313	\$ 33,455
Adjustments to reconcile net income to cash flows from operating activities		
Extraordinary items, before income taxes	-	2,215
Depreciation and amortization	56,755	48,589
Other noncash items	3,697	11,723
Minority interests share of net income	7,835	539
Net losses of and distributions from nonconsolidated affiliates	5,783	744
Net losses from property transactions	320	437
Net change in long-term accounts	(6,449)	(4,364)
Net change in working capital accounts	11,460	13,044
Tax indemnification payments to Bass	(25,469)	(2,171)
	-----	-----
Cash flows provided by operating activities	123,245	104,211
	-----	-----
Cash flows from investing activities		
Land, buildings, riverboats and equipment additions	(114,366)	(71,437)
Investments in and advances to nonconsolidated affiliates	(18,656)	(2,178)
Decrease in construction payables	(9,950)	-
Proceeds from property transactions	1,085	8,426
Other	(17,343)	(10,707)
	-----	-----
Cash flows used in investing activities	(159,230)	(75,896)
	-----	-----
Cash flows from financing activities		
Net borrowings under revolving credit facility	75,350	3,000
Proceeds from issuance of senior subordinated notes, net of issue costs of \$4,000	-	196,000
Debt retirements	(40,825)	(227,483)
Minority interest (distributions) contributions	(2,949)	4,041
	-----	-----
Cash flows provided by (used in) financing activities	31,576	(24,442)
	-----	-----
Net change in cash and cash equivalents	(4,409)	3,873
Cash and cash equivalents, beginning of period	61,962	43,756
	-----	-----
Cash and cash equivalents, end of period	\$ 57,553	\$ 47,629
	=====	=====

See accompanying Notes to Consolidated Condensed Financial Statements.

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
JUNE 30, 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 second quarter and first six months ended June 30, 1993, have been reclassified to conform with the presentation for second quarter and first six months ended June 30, 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 June 30, 1994	Next Semi- Annual Rate Adjustment Date	Swap Agreement Expiration Date
10 7/8% Notes				
\$200 million	4.73%	9.16%	October 15	October 15, 1997
8 3/4% Notes				
\$50 million	3.42%	8.85%	November 15	May 15, 1998
\$50 million	3.22%	6.67%	July 15	July 15, 1998

In accordance with the terms of the interest rate swap agreements, the effective interest rate on the 8 3/4% Notes was adjusted on July 15, 1994, to 8.71%. This rate will remain in effect until January 15, 1995.

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1994
(UNAUDITED)

Note 2 - Long-Term Debt (Continued)

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In connection with its guarantee of the debt of a third party, Promus has entered into an interest rate swap with the third party in which Promus exchanged a fixed interest rate for the variable interest rate of the subject debt. Management does not believe that its exposure under this agreement is material.

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 June 1995 and currently holds Promus' interest rate in a range between 8.8% and 12.0%.

Note 3 - Stockholders' Equity

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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, approximately \$143.2 million was transferred as of December 31, 1993, from common stock to capital surplus on the consolidated condensed balance sheets to retroactively reflect the impact of the change in par value.

On October 29, 1993, Promus' Board of Directors approved a three-for-two stock split, in the form of a stock dividend, effected by a distribution on November 29, 1993, of one additional share for each two shares owned by stockholders of record on November 8, 1993. All references in these financial statements to prior year numbers of common shares and earnings per share amounts have been restated to give retroactive effect to the stock split.

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

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1994
(UNAUDITED)

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)	Six Months Ended June 30, 1994	June 30, 1993
Interest expense, net of interest capitalized	\$52,572	\$56,327
Adjustments to reconcile to cash paid for interest		
Promus' share of interest expense of nonconsolidated affiliates	(6,152)	(6,400)
Net change in accruals	3,737	(3,003)
Amortization of deferred finance charges	(1,767)	(2,426)
Net amortization of discounts and premiums	(109)	(1,020)
	-----	-----
Cash paid for interest, net of amount capitalized	\$48,281	\$43,478
	=====	=====
Cash payments for income taxes, net of refunds	\$47,289	\$10,280
	=====	=====

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 June 30, 1994, Promus had guaranteed third party debts of \$65 million and had contractual agreements, primarily related to riverboat casino facilities construction, of \$46 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.

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1994
(UNAUDITED)

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 June 30, 1994, is approximately \$7.8 million.

Self-Insurance

Promus is self-insured for various levels of general liability, workers' compensation and employee medical coverage. Accrued expenses include an accrual for estimated settlements for known and anticipated claims.

Severance Agreements

As of June 30, 1994, Promus had 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 June 30, 1994, that would have been payable under the agreements to these executives based on earnings and stock options aggregated approximately \$28.4 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 have begun. 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.

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1994
(UNAUDITED)

Note 6 - Litigation

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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.

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1994
(UNAUDITED)

Note 7 - Nonconsolidated Affiliates

Combined summarized income statements of nonconsolidated affiliates which Promus accounted for on the equity basis for the second quarter and six months ended June 30, 1994 and 1993 were as follows:

	Second Quarter Ended		Six Months Ended	
(In thousands)	June 30, 1994	June 30, 1993	June 30, 1994	June 30, 1993
Revenues	\$268,462	\$267,323	\$486,342	\$473,914
	=====	=====	=====	=====
Operating income	\$ 20,583	\$ 22,603	\$ 13,917	\$ 28,589
	=====	=====	=====	=====
Net income (loss)	\$ 891	\$ 4,464	\$(19,529)	\$ (7,128)
	=====	=====	=====	=====

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

	Second Quarter Ended		Six Months Ended	
(In thousands)	June 30, 1994	June 30, 1993	June 30, 1994	June 30, 1993
Pre-interest operating income (included in Revenues-other)	\$ 2,683	\$ 4,519	\$ 3,343	\$ 7,921
	=====	=====	=====	=====
Interest expense (included in Interest expense)	\$ (3,207)	\$ (3,210)	\$ (6,152)	\$ (6,400)
	=====	=====	=====	=====

(In thousands)	June 30, 1994	Dec. 31, 1993
Promus' investments in and advances to nonconsolidated affiliates		
At equity	\$47,636	\$35,893
At cost	34,712	34,157
	-----	-----
	\$82,348	\$70,050
	=====	=====

The June 30, 1994, balance includes a total investment in and advances to the partnership developing Harrah's New Orleans of approximately \$19.3 million.

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 June 30, 1994, and December 31, 1993, respectively.

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1994
(UNAUDITED)

Note 8 - Summarized Financial Information

Embassy Suites, Inc. (Embassy), is a wholly-owned subsidiary and the principal asset of Promus. Summarized financial information of Embassy as of June 30, 1994 and December 31, 1993, and for the second quarter and six months ended June 30, 1994 and 1993, prepared on the same basis as Promus, was as follows:

(In thousands)	June 30, 1994	Dec. 31, 1993
Current assets	\$ 160,026	\$ 165,753
Land, buildings, riverboats and equipment, net	1,409,079	1,338,202
Other assets	321,465	290,454
	-----	-----
	1,890,570	1,794,409
	-----	-----
Current liabilities	204,464	240,438
Long-term debt	875,026	839,804
Other liabilities	165,629	150,646
Minority interests	19,921	14,984
	-----	-----
	1,265,040	1,245,872
	-----	-----
Net assets	\$ 625,530	\$ 548,537
	=====	=====

(In thousands)	Second Quarter Ended June 30, 1994	June 30, 1993	Six Months Ended June 30, 1994	June 30, 1993
Revenues	\$401,832	\$315,858	\$747,017	\$584,625
	=====	=====	=====	=====
Operating income	\$111,506	\$ 74,129	\$195,012	\$128,938
	=====	=====	=====	=====
Income before income taxes and minority interest	\$ 77,641	\$ 38,801	\$130,303	\$ 59,415
	=====	=====	=====	=====
Income before extraordinary items	\$ 42,202	\$ 22,149	\$ 68,464	\$ 34,150
	=====	=====	=====	=====
Net income	\$ 42,202	\$ 21,833	\$ 68,464	\$ 32,825
	=====	=====	=====	=====

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 restricted covenant regarding restricted payments, approximately \$616.4 million of Embassy's net assets were not available for payment of dividends to Promus as of June 30, 1994.

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1994
(UNAUDITED)

Note 9 - Operating Segment Information

Operating results for Promus' operating segments for the second quarter and six months ended June 30, 1994 and 1993, were as follows:

(In thousands)	Second Quarter Ended		Six Months Ended	
	June 30, 1994	June 30, 1993	June 30, 1994	June 30, 1993
Casino Entertainment Segment				
Operating Data				
Revenues				
Casino	\$283,474	\$200,620	\$526,484	\$366,800
Food and beverage	39,873	35,163	76,288	66,253
Rooms	26,381	25,966	50,160	48,643
Management fees	187	-	445	-
Other	18,321	14,194	32,571	24,703
Less: casino promotional allowances	(30,870)	(24,126)	(59,868)	(45,814)
Total revenues	337,366	251,817	626,080	460,585
Operating expenses				
Departmental direct costs				
Casino	115,775	88,854	228,409	171,491
Food and beverage	23,483	22,934	41,807	37,734
Rooms	8,415	9,579	16,478	16,678
Other	102,296	71,181	186,885	137,532
Total operating expenses	249,969	192,548	473,579	363,435
Operating income	\$ 87,397	\$ 59,269	\$152,501	\$ 97,150
Hotel Segment Operating Data				
Revenues				
Rooms	\$ 28,566	\$ 34,746	\$ 55,897	\$ 69,241
Franchise and management fees	19,594	15,242	35,156	28,162
Food and beverage	2,126	2,182	4,117	4,288
Other	12,997	10,773	23,443	20,194
Total revenues	63,283	62,943	118,613	121,885
Operating expenses				
Departmental direct costs				
Rooms	14,393	18,538	28,122	36,486
Food and beverage	2,172	2,246	4,033	4,385
Other	22,566	27,325	42,720	49,168
Total operating expenses	39,131	48,109	74,875	90,039
Property transactions	24,152 (199)	14,834 15	43,738 (397)	31,846 (250)
Operating income	\$ 23,953	\$ 14,849	\$ 43,341	\$ 31,596
Other Operations Segment				
Operating Data				
Revenues	\$ 1,696	\$ 1,487	\$ 3,439	\$ 2,984
Operating expenses	1,941	361	2,963	1,629
Operating income (loss)	\$ (245)	\$ 1,126	\$ 476	\$ 1,355

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 second quarter and the first six months of 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 Promus' 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.

From six land-based casinos in the traditional markets of Nevada and New Jersey and one riverboat casino in Joliet, Illinois, in operation at the end of second quarter 1993, Promus' casino entertainment segment has grown to include thirteen properties located in six states, including the latest addition, Harrah's Shreveport. In recognition of the increasingly competitive environment faced by Promus in most of the casino markets in which it operates and to maximize performance of its existing operations, Promus' operating focus has been on improving margins and increasing operating cash flows by controlling costs and streamlining operations. Due to the performances of the Riverboat Division and the hotel segment, Promus' overall operating margin increased 3.8 percentage points for second quarter 1994 and 4.0 percentage points for the first six months of 1994 over the comparable prior year periods. Cash flows from operations for the first six months of 1994 increased 18.3% over prior year, to \$123.2 million.

RESULTS OF OPERATIONS

Overall

(in millions, except earnings per share)	Second Quarter		Percent Increase/ (Decrease)	First Six Months		Percent Increase/ (Decrease)
	1994	1993		1994	1993	
Revenues	\$402.3	\$316.2	27.2 %	\$748.1	\$585.5	27.8 %
Operating income	111.1	75.2	47.7 %	196.3	130.1	50.9 %
Net income	41.9	22.5	86.2 %	69.3	33.5	106.9 %
Earnings per share	0.41	0.22	86.4 %	0.67	0.33	103.0 %
Operating margin	27.6%	23.8%	3.8 pts	26.2%	22.2%	4.0 pts

Record revenues, operating income and earnings per share for both the second quarter and first six months of 1994 are due primarily to unit growth attained in both segments, especially the addition of four riverboat casino properties over the last nine months, revenue per available room growth by all three established hotel brands and interest expense savings achieved in part by a debt refinancing strategy completed in 1993. A summary of Promus' operating segments' performance for the second quarter and first six months ended June 30, 1994 and 1993 is presented in Note 9 to the accompanying 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 continuing growth achieved by the hotel segment have resulted in an increasing diversification of Promus' operations. The following table summarizes operating income before property transactions for the twelve-month periods ended June 30, 1994, 1993 and 1992 in millions 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 June 30,						
In Millions of Dollars			Percent of Total			
1994	1993	1992	1994	1993	1992	
Casino Entertainment						
Riverboat	\$ 92	\$ 3	\$ -	25 %	1 %	- %
Southern Nevada	77	75	59	21 %	29 %	26 %
Northern Nevada	77	71	63	21 %	28 %	28 %
Atlantic City	68	65	69	18 %	25 %	30 %
New Orleans	(5)	-	-	(1)%	-	-
Other, including project development costs	(19)	(15)	(7)	(5)%	(6)%	(3)%
Total	290	199	184	79 %	77 %	81 %
Hotel						
Hotel	77	55	43	21 %	22 %	19 %
Other	2	3	(1)	- %	1 %	-
Total Promus	\$369	\$257	\$226	100 %	100 %	100 %

Casino Entertainment
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Promus' casino entertainment segment includes the combined results of Promus' casino entertainment properties located in Colorado, Illinois, Louisiana, Mississippi, Nevada and New Jersey. Overall revenues and operating income for the segment increased 34.0% and 47.5%, respectively, for second quarter 1994 and 35.9% and 57.0%, respectively, for the first six months of 1994 over the comparable prior year periods. This growth is a result of the 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, increased project development costs and declines experienced by the land-based properties reflecting various competitive and operational issues as discussed below.

Development costs incurred related to Promus' pursuit of additional casino entertainment projects and charged to casino entertainment segment other operating expense were as follows:

	Second Quarter Ended		First Six Months	
	June 30,	June 30,	June 30,	June 30,
(in millions)	1994	1993	1994	1993
	-----	-----	-----	-----
Development costs				
charged to expense	\$3.5	\$2.6	\$7.1	\$4.0

Promus expects the trend of an increasing level of development costs as compared to the prior year to continue over the remainder of 1994 as it continues to aggressively pursue additional casino development opportunities.

Riverboat Division
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	Second Quarter		Percent	First Six Months		Percent
	1994	1993	Increase/ (Decrease)	1994	1993	Increase/ (Decrease)
(in millions)	-----	-----	-----	-----	-----	-----
Revenues	\$ 109.8	\$ 13.4	NM*	\$ 193.0	\$ 13.4	NM
Operating income	37.0	3.0	NM	67.3	3.0	NM
Operating margin	33.7%	22.4%	11.3 pts	34.9%	22.4%	12.5 pts
Gaming volume	\$1,147.7	\$ 111.7	NM	\$1,932.4	\$ 111.7	NM

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* Not Meaningful

As of the end of second quarter 1994, the Riverboat Division included the operations of five riverboats, as compared to one riverboat in operation at the end of second quarter 1993. The higher overall operating margin achieved by this Division relative to Promus' other casino entertainment segment divisions reflects operational differences between a riverboat facility and a conventional land-based property and limited competition initially faced by facilities opening in new, emerging markets. Second quarter 1994's operating margin is lower than for the first six months of the year due to increasing competition in the Mississippi markets in which Promus operates, negatively impacting operating margins at those properties. Subsequent to the end of the second quarter, Promus implemented limited work force reductions at both Mississippi properties in response to the changing operating environment and to improve operating efficiency. The estimated one-time charge to Promus of these actions is not material.

Southern Nevada

	Second Quarter			First Six Months		
	-----			-----		
(in millions)	1994	1993	Percent Increase/ (Decrease)	1994	1993	Percent Increase/ (Decrease)
	-----	-----	-----	-----	-----	-----
Revenues	\$ 74.7	\$ 76.6	(2.5)%	\$ 146.0	\$ 146.4	(0.3)%
Operating income	20.0	22.1	(9.5)%	38.2	40.9	(6.6)%
Operating margin	26.8%	28.9%	(2.1)pts	26.2%	27.9%	(1.7)pts
Gaming volume	\$754.7	\$781.6	(3.4)%	\$1,509.6	\$1,523.9	(0.9)%

The Southern Nevada Division's declines in revenues and operating income for the second quarter and first six months of 1994 as compared to prior year periods are due to continuing absorption in both the Las Vegas and Laughlin markets of large capacity increases during the last twelve months. The Laughlin market has been impacted not only by expansion in its market, but also by its traditional customers visiting the new Las Vegas properties.

Northern Nevada

	Second Quarter			First Six Months		
	-----			-----		
(in millions)	1994	1993	Percent Increase/ (Decrease)	1994	1993	Percent Increase/ (Decrease)
	-----	-----	-----	-----	-----	-----
Revenues	\$ 75.2	\$ 81.2	(7.4)%	\$ 145.6	\$ 148.8	(2.2)%
Operating income	18.0	20.2	(10.9)%	30.1	31.0	(2.9)%
Operating margin	23.9%	24.9%	(1.0)pts	20.7%	20.8%	(0.1)pts
Gaming volume	\$926.9	\$992.4	(6.6)%	\$1,735.5	\$1,767.9	(1.8)%

In Northern Nevada, operations have also been negatively impacted by patrons from the region's key feeder markets choosing to visit the new "mega" property offerings in Las Vegas. Second quarter 1994 results were also impacted by a rare May snowstorm, resulting in a decline from the record results posted in second quarter 1993. The declines experienced in second quarter 1994 more than offset operating gains achieved during first quarter, resulting in an overall decline for this Division for the first six months of 1994 versus the prior year.

Atlantic City

	Second Quarter			First Six Months		
	-----			-----		
(in millions)	1994	1993	Percent Increase/ (Decrease)	1994	1993	Percent Increase/ (Decrease)
	-----	-----	-----	-----	-----	-----
Revenues	\$ 78.1	\$ 80.1	(2.5)%	\$ 143.9	\$ 150.6	(4.4)%
Operating income	18.2	18.4	(1.1)%	28.6	28.8	(0.7)%
Operating margin	23.3%	23.0%	0.3 pts	19.9%	19.1%	0.8 pts
Gaming volume	\$800.8	\$758.4	5.6 %	\$1,485.4	\$1,408.5	5.5 %

Despite declines in revenues in this highly competitive market for both second quarter and the first six months of 1994 versus the prior year, Harrah's Atlantic City nearly equalled its prior year operating income and achieved operating margin increases over the comparable prior year periods due to effective management of costs and lower promotional allowances. Revenue declines versus the comparable prior year periods are due to lower pit volume and overall hold percentages, partially offset by increased slot volume, reflecting the continuing shift of gaming volume from table games to slots. The lower hold percentage associated with slot play resulted in reduced revenues, despite the overall gaming volume growth.

Harrah's New Orleans

Revenues and operating income for the casino entertainment segment include a loss of \$1.6 million for second quarter 1994, and \$4.8 million for the first six months of 1994, representing Promus' pro-rata share of preopening-related costs incurred by the joint venture developing Harrah's New Orleans. (See CAPITAL SPENDING AND DEVELOPMENT section for further discussion of the current status of this development project.)

Hotel

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(in millions, except rooms/hotel and RevPAR/S data)	Second Quarter		Percent Increase/ (Decrease)	First Six Months		Percent Increase/ (Decrease)
	1994	1993		1994	1993	
Revenues	\$ 63.3	\$ 62.9	0.6 %	\$118.6	\$121.9	(2.7)%
Operating income before property transactions	24.2	14.8	63.5 %	43.7	31.8	37.4 %
Operating margin	38.2%	23.5%	14.7 pts	36.8%	26.1%	10.7 pts
Number of rooms				75,670	70,792	6.9 %
Number of hotels				535	479	11.7 %
Total System RevPAR/S						
Embassy Suites	\$76.04	\$70.64	7.6 %	\$74.16	\$69.62	6.5 %
Hampton Inn	42.13	39.19	7.5 %	38.71	36.19	7.0 %
Homewood Suites	61.54	56.93	8.1 %	58.47	54.70	6.9 %

Hotel segment revenues for second quarter 1994 increased slightly over the comparable prior year period as increased franchise and management fees, reflecting unit growth in the combined hotel systems and increased revenue per available room (suite) (RevPAR/S), offset the revenue impact of a decrease in the number of company-owned Embassy Suites properties. The number of rooms/suites at franchised properties and RevPAR/S significantly affects hotel segment results since franchise royalty fees are based upon rooms/suites revenue at franchised hotels. For the first six months of 1994, revenues declined compared to the prior year due to the first quarter 1994 impact on revenues of the third quarter 1993 sales of six Embassy Suites properties.

The disproportionate increase in operating income versus revenues is due to the limited direct costs associated with increases in franchise royalties and the inclusion in second quarter 1993 of a \$3.6 million writedown of a receivable from an Embassy Suites' franchisee. Excluding this one-time charge from the comparison, second quarter 1994 operating income increased 31.5% and operating margin increased 8.9 percentage points versus the comparable prior year period. Also contributing to the operating income and margin improvements for the hotel segment are overhead cost savings achieved as a result of consolidation of hotel brand management into a single organization announced in third quarter 1993.

Other Factors Affecting Income Per Share

(Income)/Expense (in millions)	Second Quarter		Percent Increase/ (Decrease)	First Six Months		Percent Increase/ (Decrease)
	1994	1993		1994	1993	
Property transaction losses, net	\$ 0.2	\$ -	NM	\$ 0.4	\$ 0.3	33.3 %
Corporate expense	7.5	7.5	-	13.0	14.2	(8.5)%
Interest expense	26.8	28.4	(5.6)%	52.6	56.3	(6.6)%
Interest and other income	(0.5)	(0.4)	25.0 %	(0.9)	(0.8)	12.5 %
Effective tax rate	41.5%	41.3%	0.2 pts	41.4%	41.5%	(0.1)pts
Minority interests	\$ 3.3	\$ 0.5	NM	\$ 7.8	\$ 0.5	NM
Extraordinary loss, net	-	0.3	NM	-	1.3	NM

Corporate expense for the first six months of 1994 decreased primarily due to timing and reimbursement of certain expenses during first quarter 1994. 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. The effective tax rate is higher than the federal statutory rate due primarily to state income taxes. Minority interests reflect joint venture partners' shares of income at joint venture riverboat casinos. The extraordinary losses recorded in the prior year periods represent related write-offs of unamortized deferred finance charges due to early retirements of debt.

CAPITAL SPENDING AND DEVELOPMENT

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 continues 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. Promus focused the majority of its capital spending during the first six months of 1994 on casino development opportunities.

A Promus subsidiary is a one-third partner in a partnership (the Partnership) selected in May 1994 by the Louisiana Economic Development and Gaming Corporation (LEDGC) to negotiate for the right to own and operate the sole land-based casino permitted by law to operate in Orleans Parish, Louisiana. This selection was made pursuant to a public bidding process involving three public solicitations of proposals by the LEDGC dating back to May 1993. The negotiations with the LEDGC culminated with the execution in July 1994 of a casino operating contract with the LEDGC. However, the contract is generally not effective until additional agreements with the City of New Orleans (City) satisfactory to the Partnership are obtained and approved by the LEDGC. The Partnership is seeking to obtain these agreements and approvals by September 1, 1994.

In March 1994, the Partnership reached agreement with the City to lease from the City's Rivergate Development Corporation the sites of the Rivergate Convention Center, the legally mandated site of the permanent casino, and the Municipal Auditorium, the site of the temporary casino. Notwithstanding these lease agreements, it will be necessary for the Partnership to reach the additional agreements discussed above with the City, and have those agreements approved by the LEDGC, to create an effective casino operating contract and proceed with the project.

The estimated cost of the project is \$790 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 Partnership is currently in the process of registering a public offering of \$570 million in debt and arranging \$100 million in 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 Partnership. Before the Partnership can begin construction of either the planned 76,000 square foot temporary casino or the proposed 400,000 square foot permanent casino facility (200,000 square foot casino space), other conditions and legal issues pertinent to the transaction (in addition to obtaining the additional agreements with the City and the approval of those agreements by the LEDGC) must be satisfied, including, without limitation, obtaining financing, and satisfying other governmental requirements.

Assuming the timely satisfaction of the conditions and legal issues discussed above, the projected opening dates for the temporary casino and permanent casino are expected to be March 1995 and first quarter 1996, respectively.

Litigation concerning title to a portion of the land underlying the permanent casino site was decided favorably at the trial court level. The trial court decision was appealed on April 29, 1994. If this appeal were ultimately decided unfavorably, it might delay or prevent the opening of the casino facilities or otherwise adversely affect their operations.

Riverboat Casino Development

During the first six months of 1994, Promus opened two additional riverboat casinos. In January 1994, Promus' second Joliet, Illinois based riverboat casino, the Harrah's Southern Star, began operations. The Southern Star shares shoreside facilities with its sister ship, the Northern Star. On April 18, 1994, Promus began operations of the Shreveport Rose, a dockside Harrah's riverboat casino located in downtown Shreveport, Louisiana. In addition to the five riverboat casinos now operating, Promus has announced two riverboat casino projects 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 reevaluated its development plans and opportunities in this state.

In North Kansas City, Promus continues its development of a classic sternwheeler designed riverboat casino featuring approximately 33,000 square feet of casino space. Approximately \$47.4 million of the total estimated project cost of \$89.2 million had been spent as of the end of second quarter 1994. The project is expected to open during third quarter 1994, subject to the approval of various regulatory bodies, and will feature certain types of games determined to be legal under the court ruling.

Construction of the shoreside facilities at the site of Promus' second Missouri riverboat casino, to be located in Maryland Heights, a suburb of St. Louis, has been postponed. Construction of the casino riverboat intended for use at the Maryland Heights site is continuing and, upon its completion, could be available for use at another site, should Promus decide not to pursue a development on this site. A final decision concerning the Maryland Heights development will be made after an anticipated November 1994 statewide referendum in Missouri to approve offering games of chance in casinos. \$22.2 million had been spent on the project as of the end of second quarter 1994, primarily related to construction of the riverboat casino, which will feature 27,500 square feet of casino space.

During second quarter 1994, Promus executed its option to acquire an additional ownership 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 increased from approximately 86% to 96%.

Indian Lands

Promus has entered into management and development agreements with the Ak-Chin Indian Community of the Maricopa Indian Reservation for a \$24.7 million casino entertainment facility currently under construction near Phoenix, Arizona. Promus is not funding this development, although it has guaranteed the related bank financing. The facility is expected to open in late fourth quarter 1994, subject to the receipt of approvals from various regulatory agencies, including the National Indian Gaming Commission. Promus will manage the facility, which is owned by the Ak-Chin Indian Community, 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 or agreements with a number of other Indian communities to develop and/or manage facilities on Indian lands, which would require approvals from various government agencies to proceed.

International

Promus and its local partner began construction of a casino in Auckland, New Zealand, during second quarter. Promus will own a 20% interest in the partnership and will manage the facility for a fee. Of Promus' total expected capital contribution of \$23.0 million, \$1.4 million had been contributed at June 30, 1994. Construction of the \$230 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.

Acquisition of Station Square

During June 1994, a general partnership in which Promus is a 75% partner announced its intention to acquire Station Square, an entertainment, business and retail center in Pittsburgh, Pennsylvania. The Station Square site includes approximately 25 acres of land available for development and extends along the Monongahela River, across from the Golden Triangle of Pittsburgh. The transaction is expected to close during third quarter 1994, subject to normal contingencies for transactions of this nature. Subject to satisfaction of these contingencies, Promus expects to provide all or a portion of the funds needed to acquire the property, either in the form of capital contributions, assisting the venture in securing non-recourse debt or a combination of contributions and debt assistance. If casino gaming is legalized in this jurisdiction, the partnership plans to pursue development of a casino entertainment facility at the Station Square site, which would require additional funding if such development proceeded.

Existing Casino Facilities

Promus has committed \$28.6 million to construct a company-owned Hampton Inn hotel on the site of Harrah's Reno. The 408-room hotel is expected to open during first quarter 1996. No major additions of casino square footage or hotel rooms are currently planned at Promus' other casino entertainment properties. On-going refurbishment and maintenance of Promus' casino entertainment facilities continues to maintain the quality standards set for these properties.

Overall

In addition to the projects discussed above, Promus continues to pursue additional casino entertainment development opportunities in various new jurisdictions across the United States and abroad, although no material definitive development agreements have been completed 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 the first six months of 1994 with the opening of 34 additional franchised properties. An additional 50 franchised properties, comprised of 43 Hampton Inn hotels, five Embassy Suites hotels and two Homewood Suites hotels, were under construction or conversion to Promus brands at June 30, 1994.

Construction of a company-owned prototype of a downsized Homewood Suites property suitable for smaller markets is expected to begin during third quarter 1994. The prototype is expected to be completed during third quarter 1995 at an estimated cost of not more than \$6 million. Six franchised Hampton Inn & Suites hotels, a new concept combining rooms and suites in a single property introduced by Promus hotels in late 1993, have been approved for development. The first Hampton Inn & Suites property is expected to open in second quarter 1995.

To increase distribution and brand awareness of its Homewood Suites brand, during second 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 \$133.0 million spent during the first six months of 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 -----

Available Borrowing Capacity -----

At June 30, 1994, \$245.4 million in borrowings was outstanding under Promus' reducing revolving and letter of credit facility (the Bank Facility). An additional \$220.8 million of the Bank Facility was committed to back certain letters of credit, including a \$204.7 million letter of credit supporting the 9% Notes. After consideration of these borrowings, \$183.8 million was available to Promus under the Bank Facility as of June 30, 1994.

Interest Rate Reduction -----

A primary financial objective was fulfilled during second quarter 1994 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 has been reduced by 1/4 of 1%. The interest rate has also been reduced by an additional 1/4 of 1% due to Promus' exceeding a defined minimum financial covenant requirement. Both rate reductions were effective July 25, 1994. These interest rate reductions will remain in force so long as the investment grade status is maintained and the minimum financial covenant is exceeded.

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 June 30, 1994	Next Semi- Annual Rate Adjustment Date	Swap Agreement Expiration Date

10 7/8% Notes				
\$200 million	4.73%	9.16%	Oct. 15	October 15, 1997
8 3/4% Notes				
\$50 million	3.42%	8.85%	Nov. 15	May 15, 1998
\$50 million	3.22%	6.69%	July 15	July 15, 1998

In accordance with the terms of the interest rate swap agreements, the effective interest rate on \$50 million of 8 3/4% Notes was adjusted on July 15, 1994 to 8.71%. This rate will remain in effect until January 15, 1995.

Promus has guaranteed the debt of a third party and has entered into an interest rate swap with the third party in which Promus exchanged a fixed interest rate for the variable interest rate of the subject debt. Promus does not believe that its exposure under this agreement is material.

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 June 1995 and currently holds Promus' interest rate in a range between 8.8% and 12.0%.

Shelf Registration

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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.

INCOME TAX MATTERS

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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 have begun. 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.

EQUITY TRANSACTIONS

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

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS

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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 will add significant additional casino space and hotel rooms to that market. In addition, the proliferation of casino gaming activity in many new jurisdictions is continuing 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. Certain jurisdictions have restrictions on entry into the market, either through limitations on number of licenses granted or required minimum initial capital investment, which serve to limit capacity as well as to limit competition within those jurisdictions. In other jurisdictions, such as Mississippi, there are no constraints on market entry, creating the potential for over capacity in the market. In such markets, operating performance may suffer due to oversupply and as competing casinos engage in high cost marketing and promotional activities that increase costs for all market participants. The proliferation of casino gaming has also been furthered by the Indian Gaming Regulatory Act of 1988 which, as of August 9, 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 long-term 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

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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 \$616.4 million at June 30, 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 have begun. 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 4. Submission of Matters To a Vote of Security Holders

The Company held its annual stockholders meeting on April 29, 1994. The following matters were voted upon at the meeting:

1. Election of Class I Directors

Name of Director Elected	Votes Cast	
	For	Against or Withheld
Joe M. Henson	89,628,411	284,842
Michael D. Rose	89,618,824	294,429
Ronald Terry	89,625,132	288,121
Eddie N. Williams	89,619,943	293,310

Name of Each Other Director Whose Term of Office as Director Continued After the Meeting

James L. Barksdale
James B. Farley
Walter J. Salmon
Philip G. Satre
Boake A. Sells
Shirley Young

2. Approval of Amendment to the Company's Charter as described in the Company's Proxy Statement dated March 18, 1994 including the resolutions set forth on page 9 of the Proxy Statement.	For	Against or Withheld	Abstentions
	---	-----	-----
	79,847,492	9,824,962	240,799

3. Approval of Amendments to the Company's 1990 Stock Option Plan as described on page 12 of the Company's Proxy Statement dated March 18, 1994.	For	Against or Withheld	Abstentions
	---	-----	-----
	83,449,957	6,149,775	313,521

4. Ratification of Arthur Andersen & Co. as the Company's independent public accountants for the 1994 calendar year.	For	Against or Withheld	Abstentions
	---	-----	-----
	89,324,873	329,890	258,490

There were no broker nonvotes with regard to the matters voted upon at the meeting.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- EX-10.1 Employment Agreement dated as of February 25, 1994, and effective April 29, 1994, between The Promus Companies Incorporated and Michael D. Rose.
- EX-10.2 Amendment, dated February 25, 1994 and effective April 29, 1994, to Amended and Restated Severance Agreement dated November 5, 1992, between The Promus Companies Incorporated and Philip G. Satre.
- EX-10.3 The Promus Companies Incorporated 1990 Stock Option Plan, as amended July 29, 1994.
- EX-10.4 Amendment dated as of May 27, 1994 to The Promus Companies Incorporated Savings and Retirement Plan.
- EX-11 Computation of per share earnings.

(b) No reports on Form 8-K were filed during the quarter ended June 30, 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

August 11, 1994

BY: MICHAEL N. REGAN

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

Exhibit Index

Exhibit No. -----	Description -----	Sequential Page No. -----
EX-10.1	Employment Agreement dated as of February 25, 1994, and effective April 29, 1994, between The Promus Companies Incorporated and Michael D. Rose.	32
EX-10.2	Amendment, dated February 25, 1994 and effective April 29, 1994, to Amended and Restated Severance Agreement dated November 5, 1992, between The Promus Companies Incorporated and Philip G. Satre.	66
EX-10.3	The Promus Companies Incorporated 1990 Stock Option Plan, as amended July 29, 1994.	69
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EMPLOYMENT AGREEMENT

THIS AGREEMENT, made as of the 25th day of February, 1994, between The Promus Companies Incorporated, a Delaware corporation with its executive offices at 1023 Cherry Road, Memphis, Tennessee (the "Company"), and Michael D. Rose (the "Executive").

The Company and the Executive agree as follows:

1. Introductory Statement.

The Company desires to secure the services of the Executive as Chairman ("Chairman") of the Board of Directors (the "Board") and the Executive is willing to execute this Agreement with respect to his employment. This Agreement is effective on April 29, 1994, and shall expire December 31, 1998, subject to the terms and conditions herein. On the effective date of this Agreement, the Agreement dated August 1, 1987, as amended January 31, 1990, between the Company and the Executive shall be cancelled and shall be of no further force or effect.

2. Agreement of Employment.

The Company agrees to, and hereby does, employ the Executive, and the Executive agrees to, and hereby does accept, employment by the Company, in a full-time capacity as Chairman, pursuant to the provisions of this Agreement and of the bylaws of the Company and subject to the control of the Board of Directors. It is understood that Executive's position of Chairman is subject to his election as a director by the Company's stockholders and yearly

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re-election as Chairman by the Board of Directors in the exercise of its judgment. See paragraph 8 herein for Executive's rights if Executive fails to be elected a director or is not re-elected as Chairman during the term of this Agreement.

3. Executive's Obligations.

During the period of his full-time service under this Agreement, the Executive shall devote substantially all of his time and energies during business hours, faithfully and to the best of his ability, to his duties as Chairman and such other duties as directed by the Board. The Executive may take up to six weeks vacation each year with pay.

4. Compensation.

The Company shall pay to the Executive for his full-time service under this Agreement a salary at the rate of \$550,000 per year, in equal bi-weekly installments, provided, however, that the Human Resources Committee of the Board (the "HRC") shall in good faith review the salary of the Executive, on an annual basis, with a view to consideration of appropriate merit increases in such salary. In addition, except as otherwise provided in this Agreement, during the term of this Agreement the Executive shall be entitled to participate in incentive compensation programs and to receive employee benefits and perquisites at least as favorable to the Executive as those presently provided to Executive by the Company, and as may be enhanced for all senior officers. Such benefits include, but are not limited to, the rabbi trust (provided pursuant to the escrow agreement dated February 6, 1990 as amended (the "Escrow Agreement")) and his Severance Agreement dated May 1, 1992, attached hereto as Exhibit A (the "Severance Agreement") both of

which will continue in force subject to their terms and conditions including the termination and amendment provisions thereof. There will be no diminution of the above compensation, perquisites, or benefits except as provided in this Agreement.

The Executive will continue to use the Company's aircraft for security purposes for himself and his family (with standard charges for family members and for non-Company business usage) and the Executive's current household security arrangements will continue in force.

If the Executive dies, retires pursuant to paragraph 7 hereof or resigns pursuant to this Agreement or pursuant to any other agreement between the Company and the Executive providing for such resignation during the period of this Agreement, service for any part of the month in which any such event occurs shall be considered service for the entire month.

5. Service After April 30, 1996.

5.1(a) The Board may, at its discretion or following Executive's request, modify his responsibilities at any time after April 30, 1996, to (i) remain as Chairman through December 31, 1998 (subject to his election as a director), with such duties as may be assigned by the Board, spending 50% of his time in the performance of such duties with a salary rate equal to 50% of his base salary just prior to the change in duties; or (ii) assume a more limited role through December 31, 1998, as determined by the Board, with a commensurate salary as approved by the HRC.

(b) Should Executive's responsibilities be modified as contemplated in paragraph 5.1(a) above, he will continue to be an

employee and to have the perquisites and benefits as described in paragraph 4 above except he will no longer be eligible for the annual bonus plan, stock option or restricted stock grants or other long term incentive awards then in effect and he will be responsible for the cost of his household security. His usage of Company aircraft for personal and family travel will be on an "as available" basis.

5.2 Whether or not Executive's responsibilities are modified as contemplated in paragraph 5.1(a) above, his last day of employment will be December 31, 1998, unless this Agreement is extended as provided in paragraph 5.3 below and except as otherwise provided herein.

5.3 At the option of the Board and with Executive's consent, this Agreement may be extended on a year to year basis after December 31, 1998, with each party having the right to terminate at the end of each renewal year.

6. Termination From Employment on December 31, 1998

6.1 Except as otherwise provided in this Agreement and except if this Agreement is extended under paragraph 5.3, the date of Executive's termination from employment shall be December 31, 1998 and, on that date, all of his stock options and restricted stock awards not yet vested will become 100% vested (fully exercisable). Such date will be Executive's retirement date for purposes of the Company's benefit plans including, without limitation, the Company's Savings and Retirement Plan ("S&RP"), Executive Deferred Compensation Plan ("EDCP"), Deferred Compensation Plan ("DCP"), Stock Option Plan and Restricted Stock Plan and all other benefit plans of the Company (subject to paragraph 7.2, below).

6.2 Executive's stock options (including options that become vested on the date of termination) will be exercisable after the date of such termination of employment in accordance with the terms of the Stock Option Plan then in effect applicable to retired employees.

6.3 After the date of Executive's termination from employment at any time (including termination, retirement or resignation prior to December 31, 1998, if that should occur), he will be entitled to participate for his lifetime in the Company's group health insurance plans applicable to corporate executives including family coverage as applicable (medical, dental and vision coverage). His group health insurance benefits after any termination of employment will not be less than those offered to corporate officers of the Company and he will be entitled to any later enhancements in such benefits. His benefits will be the same as normally provided to other retired management directors pursuant to the policy adopted by the HRC on October 26, 1990 (except to the extent he voluntarily elects not to participate in any plan). It is understood that if the fundamental value of the benefits provided to Executive is materially decreased due to tax law changes or plan amendments, then the benefits provided to him will be appropriately modified to prevent this material loss of fundamental benefits.

6.4 It is understood that Executive is currently vested at the retirement rate under the EDCP and this rate applies to Executive's EDCP account. After the date of Executive's termination, retirement or resignation from employment, his EDCP account and any other deferred compensation balances will continue to be protected by the Escrow Agreement if it is then in force subject to the terms and conditions of the Escrow Agreement including its termination and amendment provisions.

7. Retirement

7.1 Executive may voluntarily retire, effective at any time on or after April 30, 1996, by giving the Company three months prior written notice of the effective date of such retirement. On the effective date of such retirement as specified in the aforesaid written notice, all of Executive's unvested stock options will vest and become fully exercisable and any unvested restricted stock will also vest. The effective date of such retirement will be Executive's retirement date for purposes of salary and all benefits including, without limitation, the EDCP, DCP, S&RP and the Stock Option Plan (subject to paragraph 7.2, below). Executive's stock options will be exercisable after the effective date of his retirement in accordance with the provisions of the Stock Option Plan then in effect applicable to retired employees and for this purpose Executive will be deemed to have satisfied the requirements of retirement for age under the Plan. After the effective date of such retirement, Executive will be entitled to the lifetime group insurance benefits described in paragraph 6.3.

7.2 If a Change in Control (as defined in the Severance Agreement) occurs during Executive's employment pursuant to this Agreement, and if Executive's Severance Agreement is in force upon such Change in Control, Executive's retirement pursuant to the terms of this Agreement within two (2) years after the Change in Control will be deemed a voluntary resignation, rather than "Retirement" as defined under 3(a) of the Severance Agreement, for purposes of Executive's entitlement to the Severance Payments (as defined in the Severance Agreement), notwithstanding any provisions of the Severance Agreement to the contrary and the Severance Agreement is hereby amended for

this purpose. In the event of such retirement or voluntary resignation after a Change in Control, paragraph 7.1 will not apply and Executive will be entitled to the payments, rights and benefits as provided in paragraph 12 below.

8. Termination Without Cause or Resignation for Good Reason

8.1 The Board reserves the right to terminate Executive from his then current position without cause at any time upon at least three months prior written notice. The failure of the stockholders to elect Executive as a director during the annual election of directors or the failure of the Board to elect Executive as Chairman during the annual election of officers shall also be deemed termination without cause for purposes of this Agreement unless, before any such annual election, the Board has sent the written notice initiating termination for Cause as provided in paragraph 13.1 and Executive is thereafter terminated for Cause. Executive reserves the right to resign his position for Good Reason (as defined in paragraph 13.2 herein) by giving the Company 30 days written notice which states the reason for his resignation. For purposes of this Agreement, Good Reason does not include changes in his duties, position, salary, perquisites or benefits that are expressly permitted by this Agreement.

8.2 Upon the effective date of Executive's termination without cause or resignation from his position with Good Reason as described in paragraph 8.1 above:

- (a) All of his unvested stock options will vest (become fully exercisable) on the effective date of such termination without cause or resignation with Good Reason, and any unvested restricted stock held by Executive will also vest at that time.

- (b) Executive will continue in employee status as a consultant-employee beginning on the effective date of such termination without cause or resignation with Good Reason and continuing (a) until the expiration of two years, or (b) until December 1, 1998, whichever first occurs (the "Transition Period"). His stock options will be exercisable after the expiration of the Transition Period in accordance with the terms of the Stock Option Plan then in effect applicable to employees who retire for age, and for this purpose Executive will be deemed to have satisfied the requirements of retirement for age under the Plan. The expiration of employee status at the end of the Transition Period shall be deemed Executive's retirement date under the Stock Option Plan and all other benefit plans (subject to paragraph 7.2).
- (c) During the Transition Period, Executive will continue to receive his then-current salary rate and benefits but will no longer be eligible for bonus, stock option or restricted stock grants or any other long term incentive awards then in effect and will be responsible for the cost of his household security.
- (d) After the expiration of the Transition Period, Executive shall be entitled to the lifetime group insurance benefits described in paragraph 6.3.

9. Termination For Cause or Voluntary Resignation Without Good Reason

9.1 The Board will have the right to terminate Executive at any time from his then-current position for Cause (as defined in paragraph 13.1 herein).

9.2 If Executive is terminated for Cause or if, prior to April 30, 1996, he resigns his position without Good Reason, then (a) all of his rights and benefits under this Agreement shall thereupon terminate and his employment shall be deemed terminated on the date of such termination or resignation, (b) he shall be entitled to all accrued rights, payments and benefits vested or paid on or before such date under the Company's plans and programs, including his EDCP payments at the retirement rate, but unvested stock options and unvested shares of restricted stock, if any, will be forfeited, (c) his right to exercise vested stock options will expire at 12:00 p.m. midnight on the date of such termination or resignation and all stock options not so exercised will be forfeited, (d) his indemnification agreement will continue in force, (e) the Escrow Agreement, if then in force, will continue in force, unless such Agreement is thereafter amended or terminated pursuant to its terms, (f) he will be entitled to the lifetime group insurance benefits under paragraph 6.3 above, and (g) his Severance Agreement and all rights thereunder will terminate as of such termination or resignation date unless a Change in Control or Potential Change in Control (as such terms are defined in the Severance Agreement) has occurred prior to such termination or resignation date.

If Executive's Severance Agreement is in force upon a Change in Control (as defined in the Severance Agreement), the provisions of this paragraph 9.2 will not be applicable if he retires or resigns (with or without Good Reason) within two (2) years after the Change in Control, and in the event of such retirement or resignation after a Change in Control he will be entitled to the payments, rights and benefits as provided in paragraph 12 below.

10. Death

In the event of Executive's death during his employment under this Agreement, his salary and all rights and benefits under this Agreement will terminate, and his estate and beneficiary(ies) will receive the benefits they are entitled to under the terms of the Company's benefit plans and programs by reason of a participant's death during active employment including the death benefits provided by the EDCP and the applicable rights and benefits of the Company's stock plans. The Escrow Agreement if then in force will continue in force (subject to its amendment or termination in accordance with its terms) for the benefit of Executive's beneficiaries until his deferred compensation accounts are paid in full, and Executive's indemnification agreement will continue in force for the benefit of his estate.

11. Disability

In the event of Executive's disability during his employment hereunder, he will be entitled to apply at his option for the Company's long term disability benefits. If he is accepted for such benefits, then the terms and provisions of the Company's benefit plans and programs (including the EDCP and the Company's Stock Option and Restricted Stock Plans) that are applicable in the event of such disability of an employee shall apply in lieu of the salary and benefits under this Agreement, except that (a) the Escrow Agreement (if then in force) and his indemnification agreement will continue in force (the Escrow Agreement will be subject to amendment or termination in accordance with its terms), (b) he will be entitled to the lifetime group insurance benefits described in paragraph 6.3 and (c) all of his unvested stock options will vest on the date he is determined to be disabled under the long term

disability plan, and such options together with options previously vested will be exercisable after the determination of disability in accordance with the terms of the Stock Option Plan then in effect applicable to disabled employees. If Executive is disabled so that he cannot perform his duties (as determined by the HRC) and if he does not apply for long term disability benefits or is not accepted for such benefits, then the Board may terminate his duties under this Agreement and, in such event, the Company will be obligated to pay Executive his then-current salary thereafter through December 31, 1998 (or to a later date if the Agreement has been extended pursuant to paragraph 5.3), and to provide the other benefits and rights described herein including, without limitation, the vesting of all unvested stock options on December 31, 1998, except that during the period of Executive's salary continuation due to disability, Executive will not be eligible to participate in the Company's annual bonus plan or to receive stock option or restricted stock grants or any other long term incentive awards except to the extent approved by the HRC. If the Board terminates Executive's duties pursuant to the preceding sentence, this Agreement will continue in full force and effect until December 31, 1998 (or its later expiration date if this Agreement has been extended pursuant to paragraph 5.3), which will be the date of Executive's termination from employment and shall be considered his retirement date under the provisions of all the Company's benefit plans including the Stock Option Plan.

12. Change in Control

12.1 If a Change in Control as defined in Executive's Severance Agreement occurs prior to Executive's termination of employment, resignation

or retirement and if the Severance Agreement is in force when the Change in Control occurs, then, upon his termination of employment including voluntary or involuntary resignation or retirement within two years after the Change in Control (including termination on December 31, 1998, due to expiration of this Agreement), except if his termination of employment is due to "Disability" or "Cause" as set forth under the Severance Agreement, he will be entitled to all the rights, payments and benefits provided under his Severance Agreement including the Severance Payments thereunder and the benefits that the Severance Agreement provides with respect to the benefit plans and programs of the Company in lieu of the rights and benefits that would otherwise apply under this Agreement, provided that (a) the Escrow Agreement (if then in force) and his indemnification agreement will continue in force (the Escrow Agreement will be subject to amendment or termination in accordance with its terms) and (b) he will be entitled to the lifetime group insurance benefits described in paragraph 6.3.

12.2 If, at any time after Executive's retirement or resignation or the termination of Executive's employment, there is a Change in Control (as defined in the Severance Agreement) and if the Severance Agreement is in force on the day immediately prior to the effective date of his retirement, resignation or termination of employment, then this Agreement will be deemed a "retirement agreement" for purposes of subsection 4(e) of the Severance Agreement, provided that Executive will have a one time right (to be exercised by written notice given to the Company at least 60 days before the Change in Control occurs) to elect to be paid his EDCP account in accordance with the terms and provisions of his EDCP elections (subject to EDCP plan provisions)

at the retirement rate. If he does not make such election, his EDCP account (based on the retirement rate) will be accelerated and the then present value thereof will be paid to Executive in full, as provided by and computed in accordance with paragraph 4(e) of the Severance Agreement, after the Change in Control occurs.

13. Definitions of Cause and Good Reason.

13.1 Cause. Termination by the Company of this Agreement for "Cause" shall mean termination upon the Executive's engaging in willful and continued misconduct, or the Executive's willful and continued failure to substantially perform his duties with the Company (other than due to physical or mental illness), if such failure or misconduct is materially damaging or materially detrimental to the business and operations of the Company; provided that Executive shall have received written notice of such failure or misconduct and shall have continued to engage in such failure or misconduct after 30 days following receipt of such notice from the Board, which notice specifically identifies the manner in which the Board believes that Executive has engaged in such failure or misconduct. For purposes of this paragraph, no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purposes

(after reasonable notice to the Executive and an opportunity for him, together with his counsel, to be heard before the Board), finding that in the good faith opinion of the Board the Executive was guilty of failure to substantially perform his duties or of misconduct in accordance with the first sentence of this paragraph, and of continuing such failure to substantially perform his duties or misconduct as aforesaid after notice from the Board, and specifying the particulars thereof in detail.

13.2 Good Reason. "Good Reason" shall mean, without Executive's express written consent, the occurrence of any of the following circumstances unless, in the case of paragraphs (a), (e), (f) or (g), such circumstances are fully corrected prior to the date of termination specified in the written notice given by Executive notifying the Company of his resignation for Good Reason:

(a) The assignment to Executive of any duties inconsistent with his status as Chairman or an executive officer of the Company or a substantial adverse alteration in the nature or status of his responsibilities except as permitted under this Agreement;

(b) Except as permitted under this Agreement, a reduction by the Company in his annual base salary of \$550,000 or as the same may be increased from time to time pursuant to paragraph 4 hereof;

(c) The relocation of the Company's principal executive offices where Executive is working to a location more than 50 miles from the location of such offices on the date of this Agreement, or the Company's requiring Executive to be based anywhere other than the location of the Company's principal offices where Executive is working on the date of

this Agreement except for required travel on the Company's business to an extent substantially consistent with Executive's present business travel obligations;

(d) The failure by the Company, without Executive's consent, to pay to him any portion of his current compensation except pursuant to a compensation deferral elected by the Executive, or to pay to Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty days of the date such compensation is due;

(e) Except as permitted by this Agreement, the failure by the Company to continue in effect any compensation plan in which Executive is participating on the date of this Agreement which is material to Executive's total compensation, including, but not limited to, the Company's annual bonus plan, the EDCP (which may be modified or terminated as to further deferrals after 1995), the Restricted Stock Plan, or the Stock Option Plan or any substitute plans unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of Executive's participation relative to other participants at Executive's grade level;

(f) The failure by the Company to continue to provide Executive with benefits substantially similar to those enjoyed by him under the

S&RP and the life insurance, medical, health and accident, and disability plans in which Executive is participating on the date of this Agreement, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive Executive of any material fringe benefit enjoyed by Executive on the date of this Agreement except as permitted by this Agreement, or the failure by the Company to provide Executive with the number of paid vacation days to which Executive is entitled; or

(g) The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 16 hereof.

Executive's right to terminate his employment pursuant to this Agreement for Good Reason shall not be affected by Executive's incapacity due to physical or mental illness. Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

14. Non-Competition Agreement.

14.1 For a period of two years after Executive's employment status with the Company (or with a direct or indirect subsidiary of the Company) ends or his consultancy with the Company (or with any such subsidiary) ends, he will not, directly or indirectly, solicit or recruit any employee of the Company or of any of its direct or indirect subsidiaries, and he will not engage (as an employee, consultant, director, investor contractor, or otherwise) directly or indirectly in any business in the United States, Canada or Mexico that is competitive with any business that the Company or its direct or indirect

subsidiaries are engaged in (as owner, manager, consultant, licensor, partner, or otherwise) at the time his employment or consultancy ends except with the prior specific approval of the Board.

14.2 If Executive breaches any of the above covenants in 14.1, then the Board may terminate any of his rights under this Agreement upon thirty days written notice whereupon all of the Company's obligations under this Agreement shall terminate (including without limitation the right to lifetime group insurance) without further obligation to him except for obligations that have been paid, accrued or are vested as of or prior to such termination date (this includes his EDCP account which shall be deemed vested and all stock options which vested on or before his termination, resignation or retirement). In addition, the Company shall be entitled to enforce any such covenants including obtaining monetary damages, specific performance and injunctive relief.

15. Binding Arbitration.

Any and all claims, disputes or controversies arising out of or related to this Agreement or the breach thereof shall be resolved by arbitration in accordance with the rules of the American Arbitration Association (the "AAA") then in existence, subject to this paragraph 15. Such arbitration shall be conducted by a panel of three arbitrators. The Executive shall appoint one arbitrator, the Company shall appoint one arbitrator, and the third shall be appointed by the two arbitrators appointed by the parties. The third arbitrator shall serve as chairman of the panel. The parties shall appoint their arbitrators within 30 days after the demand for arbitration is served, failing which the AAA promptly shall appoint a defaulting party's arbitrator,

and the two arbitrators shall select the third arbitrator within 15 days after their appointment, or if they cannot agree or fail to so appoint, then the AAA promptly shall appoint the third arbitrator. The arbitrators shall render their decision in writing within 60 days after the close of evidence or other termination of the proceedings by the panel. The determination or award rendered in such arbitration shall be binding and conclusive upon the parties and shall not be appealable, and judgment may be entered thereon in accordance with applicable law in any court of competent jurisdiction. Any hearings in the arbitration shall be held in Memphis, Tennessee, and shall be private and not open to the public. Each party shall bear the fees and expenses of its arbitrator, counsel and witnesses, and the fees and expenses of the third arbitrator shall be shared equally by the parties. Other costs of the arbitration, including the fees of AAA, shall be shared equally by the parties.

16. Assumption of Agreement on Merger, Consolidation or Sale of Assets.

The Company agrees that until the termination of this Agreement as above provided, it will not enter into any merger or consolidation with another company in which the Company is not the surviving company, or sell or dispose of all or substantially all of its assets, unless the company which is to survive such merger or consolidation or the prospective purchaser of such assets first makes a written agreement with the Executive either (1) assuming the Company's financial obligations to the Executive under this Agreement, or (2) making such other provision for the Executive as is satisfactory to the Executive and approved by him in writing in lieu of assuming the Company's financial obligations to him under this Agreement.

17. Assurances on Liquidation.

The Company agrees that until the termination of this Agreement as above provided, it will not voluntarily liquidate or dissolve without first making a full settlement or, at the discretion of the Executive, a written agreement with the Executive satisfactory to and approved by him in writing, in fulfillment of or in lieu of its obligations to him under this Agreement.

18. Amendments.

This Agreement may not be amended or modified orally, and no provision hereof may be waived, except in a writing signed by the parties hereto.

19. Assignment.

19.1 Except as otherwise provided in paragraph 19.2, this Agreement cannot be assigned by either party hereto except with the written consent of the other. Any assignment of this Agreement by either party hereto shall not relieve such party of its or his obligations hereunder.

19.2 The Company may elect to perform any or all of its obligations under this Agreement through its wholly-owned subsidiary, Embassy Suites, Inc., or another subsidiary, and if the Company so elects, Executive will be an employee of Embassy Suites, Inc. or such other subsidiary. Notwithstanding any such election, the Company's obligations to Executive under this Agreement will continue in full force and effect as obligations of the Company, and the Company shall retain primary liability for their performance.

20. Binding Effect.

This Agreement shall be binding upon and inure to the benefit of the personal representatives and successors in interest of the Company.

21. Choice of Law.

This Agreement shall be governed by the law of the State of Tennessee as to all matters, including but not limited to matters of validity, construction, effect and performance.

22. Severability of Provisions.

In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby and this Agreement shall be interpreted as if such invalid, illegal or unenforceable provision was not contained herein.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and the Company has caused this Agreement to be executed in its name and on its behalf and its corporate seal to be hereunto affixed and attested by its corporate officers thereunto duly authorized.

MICHAEL D. ROSE

Michael D. Rose

(Corporate Seal)

THE PROMUS COMPANIES
INCORPORATED

By: E. O. ROBINSON, JR.

ATTEST:

REBECCA W. BALLOU

Asst. Secretary

EXHIBIT A

THE PROMUS COMPANIES INCORPORATED

May 1, 1992

Mr. Michael D. Rose
The Promus Companies Incorporated
1023 Cherry Road
Memphis, TN 38117

Re: Amended and Restated Severance Agreement

Dear Mr. Rose:

The Promus Companies Incorporated (the "Company") considers it essential to the best interest of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a change in control may exist and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Company, although no such change is now contemplated.

In order to induce you to remain in the employ of the Company and in consideration of your agreements set forth in Subsection 2(b) hereof, the Company agrees that you shall receive the severance benefits set forth in this letter agreement ("this Agreement") in the event your employment with the Company terminates subsequent to a "Change in Control of the Company" (as defined in Section 2 hereof) under the circumstances described below.

1. Term of Agreement. Pursuant to resolutions adopted by the Board on May 1, 1992, this Agreement amends and restates the agreement regarding Severance Payments dated January 31, 1990. The term of this Agreement shall commence on May 1, 1992 and shall continue in effect through December 31, 1992; provided, however, that commencing on January 1, 1993 and each January 1

thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than September 30 of the preceding year, the Company shall have given notice that it does not wish to extend this Agreement; provided, further, if a Change in Control of the Company shall have occurred during the original or extended term of this Agreement, this Agreement shall automatically continue in effect for a period of twenty-four months beyond the month in which such Change in Control occurred.

2. Change in Control.

(a) No benefit shall be payable to you hereunder unless there shall have been a Change in Control of the Company, as set forth below. For purposes of this Agreement, a "Change in Control of the Company" shall be deemed to have occurred, subject to subparagraph (iv) hereof, if any of the events in subparagraphs (i), (ii) or (iii) occur:

(i) Any "person" (as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than an employee benefit plan of the Company, or a trustee or other fiduciary holding securities under an employee benefit plan of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 25% or more of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board, regardless of comparative voting power of such voting securities, and regardless of whether or not the Board shall have approved such Change in Control; or

(ii) During any period of two consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in clauses (i) or (iii) of this Subsection) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(iii) The holders of securities of the Company entitled to vote thereon approve the following:

(A) A merger or consolidation of the Company with any other corporation regardless of which entity is the surviving company, other than a merger or consolidation which would result in the voting securities of the Company carrying the right to vote in elections of persons to the Board outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving

entity) at least 80% of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board, or such securities of such surviving entity outstanding immediately after such merger or consolidation, or

(B) A plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

(iv) Notwithstanding the definition of a "Change in Control" of the Company as set forth in this Section 2(a), the Human Resources Committee of the Board (the "Committee") shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred, and the date of the occurrence of such Change in Control and any incidental matters relating thereto, with respect to a transaction or series of transactions which have resulted or will result in a substantial portion of the assets or business of the Company (as determined immediately prior to the transaction or series of transactions by the Committee in its sole discretion which determination shall be final and conclusive) being held by a corporation at least 80% of whose voting securities are held, immediately following such transaction or series of transactions, by holders of the voting securities of the Company (determined immediately prior to such transaction or series of transactions). The Committee may exercise such discretionary authority without regard to whether one or more of the transactions in such series of transactions would otherwise constitute a Change in Control of the Company under the definition set forth in this Section 2(a).

(b) For purposes of this Agreement, a "Potential Change in Control of the Company" shall be deemed to have occurred if the following occur:

(i) The Company enters into an agreement or letter of intent, the consummation of which would result in the occurrence of a Change in Control of the Company;

(ii) Any person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control of the Company;

(iii) Any person, other than an employee benefit plan of the Company, or a trustee or other fiduciary holding securities under an employee benefit plan of the Company, who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 9.5% or more of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board increases his beneficial ownership of such securities by 5% or more over the percentage so owned by such person on the date hereof; or

(iv) The Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control of the Company has occurred.

You agree that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control of the Company, you will remain in the employ of the Company (or the subsidiary thereof by which you are employed at the date such Potential Change in Control occurs) until the earliest of (x) a date which is six months from the occurrence of such Potential Change in Control of the Company, (y) the termination by you of your employment by reasons of Disability or Retirement (at your normal retirement age), as defined in Subsection 3(i), or (z) the occurrence of a Change in Control of the Company.

3. Termination Following Change in Control. If any of the events described in Subsection 2(a) hereof constituting a Change in Control of the Company shall have occurred, you shall be entitled to the benefits provided in Subsection 4(c) hereof upon the subsequent termination of your employment (whether or not such termination is voluntary) during the term of this Agreement unless such termination is (y) because of your death, Disability or Retirement, or (z) by the Company for Cause.

(a) Disability; Retirement. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for six consecutive months, and within thirty days after written notice of termination is given you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability". Termination by the Company or you of your employment based on "Retirement" shall mean termination at age 65 (or later) with ten years of service or retirement in accordance with any retirement contract between the Company and you.

(b) Cause. Termination by the Company of your employment for "Cause" shall mean termination upon your engaging in willful and continued misconduct, or your willful and continued failure to substantially perform your duties with the Company (other than due to physical or mental illness), if such failure or misconduct is materially damaging or materially detrimental to the business and operations of the Company, provided that you shall have received written notice of such failure or misconduct and shall have continued to engage in such failure or misconduct after 30 days following receipt of such notice from the Board, which notice specifically identifies the manner in which the Board believes that you have engaged in such failure or misconduct. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable

notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of failure to substantially perform your duties or of misconduct in accordance with the first sentence of this Subsection, and of continuing such failure to substantially perform your duties or misconduct as aforesaid after notice from the Board, and specifying the particulars thereof in detail.

(c) Voluntary Resignation. After a Change in Control of the Company and for purposes of receiving the benefits provided in Subsection 4(c) hereof, you shall be entitled to terminate your employment by voluntary resignation given at any time during the two years following the occurrence of a Change in Control of the Company hereunder. Such resignation shall not be deemed a breach of any employment contract between you and the Company.

(d) Notice of Termination. Any purported termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 6 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(e) Date of Termination, Etc. "Date of Termination" shall mean:

(i) If your employment is terminated for Disability, thirty days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such thirty day period), and

(ii) If your employment is terminated pursuant to Subsection (b) or (c) above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection (b) above shall not be less than thirty days, and in the case of a termination pursuant to Subsection (c) above shall not be less than fifteen nor more than sixty days, respectively, from the date such Notice of Termination is given);

provided that if within fifteen days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this provision), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided further that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice

pursues the resolution of such dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, bonus, benefit and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

4. Compensation Upon Termination or During Disability Following a Change of Control. Following a Change in Control of the Company, as defined in Subsection 2(a), upon termination of your employment or during a period of Disability, you shall be entitled to the following benefits:

(a) During any period that you fail to perform your full-time duties with the Company as a result of incapacity due to physical or mental illness, you shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all compensation payable to you under the Company's Bonus Plan, Restricted Stock Plan, and other incentive compensation plans during such period, until this Agreement is terminated pursuant to Section 3(a) hereof. Thereafter, or in the event your employment shall be terminated for Retirement, or by reason of your death, your benefits shall be determined under the Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs, subject to Subsection 4(e) hereof.

(b) If your employment shall be terminated by the Company for Cause, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan of the Company at the time such payments are due, and the Company shall have no further obligations to you under this Agreement.

(c) If your employment by the Company shall be terminated (y) by the Company other than for Cause, Retirement or Disability or (z) by you by voluntary resignation, then you shall be entitled to the benefits provided below:

(i) The Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation or benefit plan of the Company, at the time such payments are due;

(ii) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") equal to 2.99 times the average of the Annual Compensation (as

defined below) which was payable to you by the Company (including for periods prior to February 7, 1990, Holiday Corporation or its affiliates), or any corporation affiliated with the Company within the meaning of Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code"), for the five calendar years preceding the calendar year in which the Change in Control occurred. Such average shall be determined in accordance with proposed, temporary or final regulations promulgated under Section 280G(d) of the Code, or, in the absence of such regulations, if you were not employed by the Company (including for this purpose Holiday Corporation or its affiliates for the periods prior to February 7, 1990) or its affiliates during the entire five calendar years preceding the calendar year in which the Change in Control occurred, then such average shall be the average of your Annual Compensation for the complete calendar years (if any) and partial calendar year (if any) during which you were so employed provided that the amount for any such partial calendar year shall be an annualized amount based on the amount of Annual Compensation paid to you during the partial calendar year. If you were not employed by the Company or its affiliates during such preceding calendar year, then such average shall be an annualized amount based on the amount of Annual Compensation paid to you during the calendar year in which the Change of Control occurred. Annual Compensation is your base salary and your annual bonus under the Annual Management Bonus Plan of the Company that was payable to you by the Company or any of its affiliates (including for this purpose base salary and bonus payable to you by Holiday Corporation or its affiliates for periods prior to February 7, 1990) that was payable to you during a calendar year determined without any reduction for any deferrals of such salary or such bonus under any deferred compensation plan (qualified or unqualified) and without any reduction for any salary reductions used for making contributions to any group insurance plan of the Company (including for this purpose Holiday Corporation or its affiliates for periods prior to February 7, 1990) or its affiliates.

(iii) The Company shall also pay to you the amounts of any compensation or awards payable to you or due to you in respect of any period preceding the Date of Termination under any incentive compensation plan of the Company (including, without limitation, the Company's Restricted Stock Plan and Stock Option Plan (the "Option Plan") and under any agreements with you in connection therewith, and shall make any other payments and take any other actions provided for in such plans and agreements.

(iv) In lieu of shares of common stock of the Company ("Company Shares") issuable upon exercise of outstanding options, if any ("Options") granted to you under the Option Plan (which Options shall be cancelled upon the making of the payment referred to below), you shall receive an amount in cash equal to the product of (y) the excess of, the higher of the closing price of Company Shares as reported on the New York Stock Exchange on or nearest the Date of Termination (or, if not listed on such exchange, on a nationally recognized exchange or

quotation system on which trading volume in Company Shares is highest) or the highest per share price for Company Shares actually paid in connection with any change in control of the Company, over the per share exercise price of each Option held by you (whether or not then fully exercisable), times (z) the number of Company Shares covered by each such option.

(v) The Company shall also pay to you all legal fees and expenses incurred by you as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit provided hereunder).

(vi) In the event that you become entitled to the payments (the "Severance Payments") provided under paragraphs (ii), (iii), and (iv), above (and Subsections (d) and (e), below), and if any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by section 4999 of the Code, the Company shall pay to you at the time specified in paragraph (vii), below, an additional amount (the "Gross-Up Payment") such that the net amount retained by you, after deduction of any Excise Tax on the Severance Payments and any federal (and state and local) income tax and Excise Tax upon the payment provided for by this paragraph, shall be equal to the amount of the Severance Payments less any Excise Tax attributable to Severance Payments in respect of those shares of restricted stock granted to you in 1990 in connection with the merger of Holiday Corporation with and into a subsidiary of Bass plc and which were issued in substitution of shares of Holiday Corporation restricted stock granted to you on or after November 11, 1986 in connection with the 1987 recapitalization of Holiday Corporation (the "Excluded Severance Payments"). For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax the following will apply:

(A) Any other payments or benefits received or to be received by you in connection with a Change in Control of the Company or your termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a Change in Control of the Company or any person affiliated with the Company or such person) shall be treated as "parachute payments" within the meaning of section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Company's independent auditors and acceptable to you such other payments or benefits (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part)

represent reasonable compensation for services actually rendered within the meaning of section 280G(b)(4) of the Code in excess of the base amount within the meaning of section 280G(b)(3) of the Code, or are otherwise not subject to the Excise Tax;

(B) The amount of the Severance Payments which shall be treated as subject to the Excise Tax shall be equal to the lesser of (y) the total amount of the Severance Payments or (z) the amount of excess parachute payments within the meaning of section 280G(b)(1) (after applying clause (A), above); and

(C) The value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with proposed, temporary or final regulations under Sections 280G(d)(3) and (4) of the Code or, in the absence of such regulations, in accordance with the principles of Section 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay Federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the amount of Excise Tax attributable to Severance Payments other than the Excluded Severance Payments is subsequently determined to be less than the amount taken into account hereunder at the time of termination of your employment, you shall repay to the Company at the time that the amount of such reduction in Excise Tax is finally determined the portion of the Gross-Up Payment attributable to such reduction (plus the portion of the Gross-Up Payment attributable to the Excise Tax and Federal (and state and local) income tax imposed on the Gross-Up Payment being repaid by you if such repayment results in a reduction in Excise Tax and/or a Federal (and state and local) income tax deduction) plus interest on the amount of such repayment at the rate provided in section 1274(b)(2)(B) of the Code. In the event that the Excise Tax attributable to Severance Payments other than the Excluded Severance Payments is determined to exceed the amount taken into account hereunder at the time of the termination of your employment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional gross-up payment in respect of such excess (plus any interest payable with respect to such excess) at the time that the amount of such excess is finally determined.

(vii) The payments provided for in paragraphs (ii), (iii), (iv) and (vi) above, shall be made not later than the fifth day following the Date of Termination, provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Company shall pay to you on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to you payable on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

(d) If your employment shall be terminated (y) by the Company other than for Cause, Retirement or Disability or (z) by you voluntarily, then for a twenty-four month period after such termination, the Company shall arrange to provide you with life, disability, accident and health insurance benefits substantially similar to those which you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Subsection 4(d) shall be reduced to the extent comparable benefits are actually received by you during the twenty-four month period following your termination, and any such benefits actually received by you shall be reported to the Company.

(e) In the event a Change in Control of the Company occurs after you and the Company have entered into any retirement agreement including an agreement providing for early retirement, then the present value, computed using a discount rate of 8% per annum, of the total amount of all unpaid deferred payments as payable to you in accordance with the payment schedule that you elected when the deferral was agreed to and using the plan interest rate applicable to your situation, or other payments payable or to become payable to you or your estate or beneficiary under such retirement agreement (other than payments payable pursuant to a plan qualified under section 401(a) of the Internal Revenue Code) including, without limitation, any unpaid deferred payments under the Company's Executive Deferred Compensation Plan and the Company's other deferred compensation plans shall be paid to you (or your estate or beneficiary if applicable) in cash within five business days after the occurrence of the Change in Control of the Company. If you and the Company or its affiliates have executed a retirement agreement and if the Change in Control of the Company occurs before the effective date of your retirement, then you shall receive the Severance Payment payable under Subsection 4(c)(ii) herein in addition to the present value of your unpaid deferred retirement payments and other payments under the retirement agreement as aforesaid. All other benefits to which you or your estate or any beneficiary are entitled under such retirement agreement shall continue in effect notwithstanding the Change in Control of the Company. This Subsection 4(e) shall survive your retirement.

(f) Notwithstanding that a Change in Control shall not have yet occurred, if you so elect, by written notice to the Company given at any time after the date hereof and prior to the time such amounts are otherwise payable to you:

(i) The Company shall deposit with an escrow agent, pursuant to an escrow agreement between the Company and such escrow agent, a sum of money, or other property permitted by such escrow agreement, sufficient in the opinion of the Company's management to fund payment of the following amounts to you, as such amounts become payable:

(A) Amounts payable, or to become payable, to you or to your beneficiaries or your estate under the Company's Executive Deferred Compensation Plan and under any agreements related thereto in existence at the time of your election to make the deposit into escrow.

(B) Amounts payable, or to become payable, to you or to your beneficiaries or your estate by reason of your deferral of payments payable to you prior to the date of your election to make the deposit into escrow under any other deferred compensation agreements between you and the Company in existence at the time of your election to make the deposit into escrow, including but not limited to deferred compensation agreements relating to the deferral of salary or bonuses.

(C) Amounts payable, or to become payable, to you or to your beneficiaries or your estate under any agreement relating to your retirement from the Company (including payments described under Subsection 4(e) above) which agreement is in existence at the time of your election to make the deposit into escrow, other than amounts payable by a plan qualified under Section 401(a) of the Code.

(D) Subject to the approval of the Committee, amounts then due and payable to you, but not yet paid, under any other benefit plan or incentive compensation plan of the Company (whether such amounts are stock or cash) other than amounts payable to you under a plan qualified under section 401(a) of the Code.

(ii) Upon the occurrence of a Potential Change of Control, the Company shall deposit with an escrow agent (which shall be the same escrow agent, if one exists, acting pursuant to clause (i) of this subsection 4(f)), pursuant to an escrow agreement between the Company and such escrow agent, a sum of money, or other property permitted by such escrow agreement, sufficient in the opinion of Company management to fund the payment to you of the amounts specified in Subsection 4(c) of this Agreement.

(iii) It is intended that any amounts deposited in escrow pursuant to the provisions of clause (i) or (ii) of this Subsection 4(f), be subject to the claims of the Company's creditors, as set forth in the form of such escrow agreement.

(g) You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise (except as specifically provided in this Section 4).

(h) In addition to all other amounts payable to you under this Section 4, you shall be entitled to receive all benefits payable to you under any benefit plan of the Company in which you participate to the extent such benefits are not paid under this Agreement.

5. Successors; Binding Agreement.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you terminate your employment voluntarily following a Change in Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(b) This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

6. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this

Agreement, provided that all notices to the Company shall be directed to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

7. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

8. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Memphis, Tennessee in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

11. Similar Provisions in Other Agreement. The Severance Payment under this Agreement supersedes and replaces any other severance payment to which you may be entitled under any previous agreement between you and the Company (including for this purpose Holiday Corporation or its affiliates) or its affiliates.

If this letter sets forth our agreement on the subject matter hereof,
kindly sign and return to the Company the enclosed copy of this letter which
will then constitute our binding agreement on this subject.

Very truly yours,

THE PROMUS COMPANIES
INCORPORATED

BY: CRAIG H. NORVILLE

Craig H. Norville
Senior Vice President
and General Counsel

Agreed to as of this 1st day
of May, 1992.

MICHAEL D. ROSE

Mr. Michael D. Rose

THE PROMUS COMPANIES INCORPORATED

February 25, 1994

Mr. Philip G. Satre
The Promus Companies Incorporated
1023 Cherry Road
Memphis, TN 38117

Re: Amendment to Amended and Restated Severance Agreement

Dear Mr. Satre:

This letter agreement ("this Amendment") will amend that Amended and Restated Severance Agreement dated November 5, 1992 (the "Agreement") between yourself and The Promus Companies Incorporated (the "Company").

In consideration of the mutual covenants herein contained and for other good and valuable consideration, receipt of which is hereby acknowledged, it is agreed as follows:

1. Effective Date. Pursuant to resolutions adopted by the Board of Directors of the Company on February 25, 1994, this Amendment will become effective on April 29, 1994.

2. Amendment of Section 2, "Change in Control." Section 2 of the Agreement shall be amended by deleting Subsection 2(c) in its entirety.

3. Amendment of Section 3, "Termination Following Change in Control."
A. Section 3 shall be amended by deleting the first sentence of said Section and substituting the following sentence therefor:

If any of the events described in Subsection 2(a) hereof constituting a Change in Control of the Company shall have occurred, you shall be entitled to the benefits provided in Subsection 4(c) hereof upon the subsequent termination of your employment (whether or not such termination is voluntary) during the term of this Agreement unless such termination is (y) because of your death, Disability or Retirement, or (z) by the Company for Cause.

B. Section 3 shall be further amended by deleting Subsection 3(c) in its entirety and substituting the following Subsection 3(c) therefor:

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(c) Voluntary Resignation. After a Change in Control of the Company and for purposes of receiving the benefits provided in Subsection 4(c) hereof, you shall be entitled to terminate your employment by voluntary resignation given at any time during the two years following the occurrence of a Change in Control of the Company hereunder. Such resignation shall not be deemed a breach of any employment contract between you and the Company.

4. Amendment of Section 4, "Compensation Upon Termination or During Disability Following a Change of Control."

A. Section 4 shall be amended by deleting the first sentence of Subsection 4(c) and substituting the following sentence therefor:

If your employment by the Company shall be terminated (y) by the Company other than for Cause, Retirement or Disability or (z) by you by voluntary resignation, then you shall be entitled to the benefits provided below:

B. Section 4 shall be further amended by deleting Subsection 4(d) in its entirety and substituting the following Subsection 4(d) therefor:

(d) If your employment shall be terminated (y) by the Company other than for Cause, Retirement or Disability or (z) by you voluntarily, then for a twenty-four month period after such termination, the Company shall arrange to provide you with life, disability, accident and health insurance benefits substantially similar to those which you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Subsection 4(d) shall be reduced to the extent comparable benefits are actually received by you during the twenty-four month period following your termination, and any such benefits actually received by you shall be reported to the Company.

5. Amendment of Section 5, "Successors; Binding Agreement." Section 5 shall be amended by deleting Subsection 5(a) in its entirety and substituting the following Subsection 5(a) therefor:

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you terminate your employment

voluntarily following a Change in Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

6. Defined Terms. Unless otherwise defined herein, all terms used in this Amendment that are defined in the Agreement shall have the meanings ascribed to such terms in the Agreement.

7. No Other Modifications. Except as specifically modified herein, all terms and conditions of the Agreement shall remain unchanged and in full force and effect.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our binding agreement on this subject.

Very truly yours,

THE PROMUS COMPANIES
INCORPORATED

BY: E. O. ROBINSON, JR.

Title: SENIOR VICE PRESIDENT

Agreed to as of this 29th day
of June, 1994.

PHILIP G. SATRE

Philip G. Satre

THE PROMUS COMPANIES INCORPORATED

1990 STOCK OPTION PLAN

(as amended July 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

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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 any option under the Plan regardless of the date of the option shall not be less than the par value per share of the Common Stock as provided in the Company's Certificate of Incorporation as amended April 29, 1994. 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 date, 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 satisfied 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

Amendment

Dated as of May 27, 1994

to The Promus Companies Incorporated

Savings and Retirement Plan (the "Plan")

The undersigned Trustees pursuant to Section 2.25 of the Plan and the Chairman of the Board of Directors of The Promus Companies Incorporated pursuant to Section 11.1 of the Plan hereby adopt and approve the following amendments to the Plan which shall be effective August 1, 1994, or as soon as administratively feasible thereafter:

1. Section 2.25 of the Plan is amended by adding the following subsections (g) and (h):

"(g) Investment Fund VII -- a fund consisting primarily of common stock or of funds consisting primarily of common stock.

(h) Investment Fund VIII -- a fund consisting primarily of bonds and similar investments or of funds consisting primarily of bonds and similar investments."

2. The first sentence of subsection 6.1(a) of the Plan is amended to read as follows:

"Upon becoming a Participant, each Member may file with the Plan Administrator such Member's direction with respect to what percentage, if any, of the Member's Account (derived from contributions made pursuant to sections 4.1, 4.2, 4.4, 4.6, and 4.9) is to be invested in any one or more of Investment Funds I, II, III, VI, VII or VIII."

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3. The second sentence of subsection 6.1(b) of the Plan is amended to read as follows:

"A Participant may elect to transfer amounts allocated to his Account (except amounts allocated to the ESOP account identified as Employee Account 10 unless otherwise permitted by the Plan Administrator in compliance with applicable law) among Investment Funds I, II, III, VI, VII or VIII in increments of 10 percent by filing the appropriate form with the Plan Administrator."

4. The fifth sentence of subsection 6.1(b) of the Plan is amended to read as follows:

"Transfers of Account balances by a Member from Investment Fund I to Investment Fund VI (including direct transfers and simultaneous transfers, i.e. a transfer from Fund I to Funds II, III, VII or VIII and at the same time a transfer from Funds II, III, VII or VIII to Fund VI) shall not, in

order to make any such transfer, utilize any funds in the guaranteed investment contract or group annuity contract issued by an insurance company (other than funds received by virtue of the maturity or discontinuance of any such contract) without the consent or agreement of the insurance company but instead such transfers shall utilize any other available funds in Investment Fund I for the transfer of funds from Investment Fund I to Fund VI."

5. The word "four" in clause (2) of the second sentence of subsection 6.4(e) of the Plan is amended to read "six."

6. The following Section 16.9 is added to the Plan:

"16.9 Telephonic/Electronic Decisions. Notwithstanding anything in this Plan to the contrary, pay reduction agreements and cancellations or amendments thereto, investment elections, changes and transfers, loans, withdrawal decisions, and any other decision or election by a Member or other person under this Plan may be accomplished by electronic or telephonic means which are not prohibited by law and which are in accordance with procedures and/or systems approved or arranged by the Plan Administrator or its delegates."

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the
date written above.

Plan Trustees:

NEIL F. BARNHART

Neil F. Barnhart

THOMAS J. CARR, JR.

Thomas J. Carr, Jr.

DONALD H. DEMPSEY

Donald H. Dempsey

LAURANCE B. LACAFF

Laurance B. Lacaff

CHARLES A. LEDSINGER, JR.

Charles A. Ledsinger, Jr.

BEN C. PETERNELL

Ben C. Peternell

MICHAEL N. REGAN

Michael N. Regan

GEORGE M. RINALDI

George M. Rinaldi

MICHAEL D. ROSE

Michael D. Rose, Chairman of The
Board of The Promus Companies
Incorporated

THE PROMUS COMPANIES INCORPORATED
COMPUTATION OF PER SHARE EARNINGS (1)

	Second Quarter Ended June 30, 1994	June 30, 1993	Six Months Ended June 30, 1994	June 30, 1993
Income before extraordinary items	\$ 41,941,000	\$ 22,815,000	\$ 69,313,000	\$ 34,780,000
Extraordinary items, net	-	(316,000)	-	(1,325,000)
Net income	<u>\$ 41,941,000</u>	<u>\$ 22,499,000</u>	<u>\$ 69,313,000</u>	<u>\$ 33,455,000</u>
Primary earnings per share				
Weighted average number of common shares outstanding	101,615,334	100,631,313	101,556,187	100,568,984
Common stock equivalents				
Additional shares based on average market price for period applicable to:				
Restricted stock	432,838	878,586	448,017	878,700
Stock options	778,039	833,462	853,851	744,767
Average number of primary common and common equivalent shares outstanding	<u>102,826,211</u>	<u>102,343,361</u>	<u>102,858,055</u>	<u>102,192,451</u>
Primary earnings per common and common equivalent share				
Income before extraordinary items	\$ 0.41	\$ 0.22	\$ 0.67	\$ 0.34
Extraordinary items	-	-	-	(0.01)
Net income	<u>\$ 0.41</u>	<u>\$ 0.22</u>	<u>\$ 0.67</u>	<u>\$ 0.33</u>
Fully diluted earnings per share				
Average number of primary common and common equivalent shares outstanding	102,826,211	102,343,361	102,858,055	102,192,451
Additional shares based on period-end price applicable to:				
Restricted stock	13,606	4,854	23,952	-
Stock options	-	61,433	-	150,128
Average number of fully diluted common and common equivalent shares outstanding	<u>102,839,817</u>	<u>102,409,648</u>	<u>102,882,007</u>	<u>102,342,579</u>
Fully diluted earnings per common and common equivalent share				
Income before extraordinary items	\$ 0.41	\$ 0.22	\$ 0.67	\$ 0.34
Extraordinary items	-	-	-	(0.01)
Net income	<u>\$ 0.41</u>	<u>\$ 0.22</u>	<u>\$ 0.67</u>	<u>\$ 0.33</u>

(1) June 30, 1993 amounts have been retroactively adjusted for three-for-two stock split approved by Promus' Board of Directors on October 29, 1993.