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

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

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

Yes X No

At September 30, 1994, there were outstanding 102,391,415 shares of the Company's Common Stock.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)

(In thousands, except share amounts)	Sept. 30, 1994	Dec. 31, 1993
ASSETS		
Current assets		
Cash and cash equivalents	$ 61,607	$ 61,962
Receivables, including notes receivable of $2,264 and $2,197, less allowance for doubtful accounts of $11,258 and $10,864	46,352	47,448
Deferred income taxes	23,961	21,024
Supplies	12,282	12,996
Prepayments and other	25,141	20,128
Total current assets	169,343	163,558
Land, buildings, riverboats and equipment	1,981,820	1,824,433
Less: accumulated depreciation	(539,631)	(486,231)
	1,442,189	1,338,202
Investments in and advances to nonconsolidated affiliates	86,330	70,050
Deferred costs and other	215,219	221,308
	$1,913,081	$1,793,118
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 45,586	$ 60,530
Construction payables	6,976	26,345
Accrued expenses	175,043	162,969
Current portion of long-term debt	2,441	2,160
Total current liabilities	230,046	252,004
Long-term debt	853,535	839,804
Deferred credits and other	116,086	86,829
Deferred income taxes	48,529	63,460
	1,248,196	1,242,097
Minority interests	18,045	14,984
Commitments and contingencies (Notes 6 and 7)		
Stockholders' equity		
Common stock, $0.10 par value, authorized - 360,000,000 shares, outstanding - 102,391,415 and 102,258,442 shares (net of 33,477 and 25,251 shares held in treasury)	10,239	10,226
Capital surplus	348,775	344,197
Retained earnings	291,546	187,203
Deferred compensation related to restricted stock	(3,720)	(5,589)
	646,840	536,037
	$1,913,081	$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)	Third Quarter Ended Sept. 30, 1994	Sept. 30, 1993	Nine Months Ended Sept. 30, 1994	Sept. 30, 1993
Revenues				
Casino	$304,892	$229,707	$ 831,376	$596,507
Rooms	58,561	57,287	164,618	175,171
Food and beverage	46,739	40,845	127,144	111,386
Franchise and management fees	22,695	16,084	58,296	44,246
Other	33,445	31,009	92,898	78,890
Less: casino promotional allowances	(34,015)	(28,222)	(93,883)	(74,036)
Total revenues	432,317	346,710	1,180,449	932,164
Operating expenses				
Direct				
Casino	139,808	94,384	368,217	265,875
Rooms	23,540	24,635	68,140	77,799
Food and beverage	22,982	24,769	68,822	66,888
Depreciation of buildings, riverboats and equipment	24,464	18,673	68,965	56,326
Other	98,935	85,597	283,600	236,273
Total operating expenses	309,729	248,058	857,744	703,161
	122,588	98,652	322,705	229,003
Preopening costs	(10,172)	-	(15,313)	-
Property transactions	2,321	2,019	1,924	1,769
Operating income	114,737	100,671	309,316	230,772
Corporate expense	(8,551)	(5,456)	(21,582)	(19,636)
Interest expense, net of interest capitalized	(26,287)	(25,361)	(78,859)	(81,688)
Interest and other income	401	353	1,295	1,129
Income before income taxes and minority interests	80,300	70,207	210,170	130,577
Provision for income taxes	(34,419)	(31,537)	(88,216)	(56,588)
Minority interests	(1,698)	(1,613)	(9,679)	(2,152)
Income before extraordinary items and cumulative effect of change in accounting policy	44,183	37,057	112,275	71,837
Extraordinary losses on extinguishments of debt, net of income tax benefit of $2,525 and $3,415	-	(4,122)	-	(5,447)
Cumulative effect of change in accounting policy, net of tax benefit of $4,317	-	-	(7,932)	-
Net income	$ 44,183	$ 32,935	$ 104,343	$ 66,390
Earnings per share before extraordinary items and cumulative effect of change in accounting policy	$ 0.43	$ 0.36	$ 1.09	$ 0.70
Extraordinary items, net	-	(0.04)	-	(0.05)
Cumulative effect of change in accounting policy, net	-	-	(0.08)	-
Earnings per share	$ 0.43	$ 0.32	$ 1.01	$ 0.65
Average common shares outstanding	102,818	102,565	102,831	102,335

See accompanying Notes to Consolidated Condensed Financial Statements.

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

(In thousands)	Nine Months Ended Sept. 30, 1994	Nine Months Ended Sept. 30, 1993
Cash flows from operating activities		
Net income	$ 104,343	$ 66,390
Adjustments to reconcile net income to cash flows from operating activities		
Extraordinary items, before income taxes	-	8,862
Cumulative effect of change in accounting policy, before income taxes	12,249	-
Depreciation and amortization	84,064	73,128
Preopening costs charged to expense	15,313	-
Other noncash items	3,788	18,589
Minority interests share of net income	9,679	2,152
Net losses of and distributions from nonconsolidated affiliates	8,679	1,266
Net gains from property transactions	(103)	(1,614)
Net change in long-term accounts	(25,997)	(46)
Net change in working capital accounts	36,026	15,938
Tax indemnification payments to Bass	(26,466)	(8,084)
Cash flows provided by operating activities	221,575	176,581
Cash flows from investing activities		
Land, buildings, riverboats and equipment additions	(184,694)	(120,084)
Investments in and advances to nonconsolidated affiliates	(26,382)	(5,398)
Decrease in construction payables	(19,369)	-
Proceeds from property transactions	25,568	25,445
Other	(23,590)	(15,049)
Cash flows used in investing activities	(228,467)	(115,086)
Cash flows from financing activities		
Net borrowings under revolving credit facilities, net of issue costs of $12,500 in 1993	54,250	91,500
Proceeds from issuance of senior subordinated notes, net of issue costs of $4,000	-	196,000
Debt retirements	(41,609)	(357,741)
Minority interests (distributions) contributions	(6,104)	2,867
Cash flows provided by (used in) financing activities	6,537	(67,374)
Net change in cash and cash equivalents	(355)	(5,879)
Cash and cash equivalents, beginning of period	61,962	43,756
Cash and cash equivalents, end of period	$ 61,607	$ 37,877

See accompanying Notes to Consolidated Condensed Financial Statements.

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; Tunica and Vicksburg, Mississippi; and North Kansas City, Missouri. 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 8.)

Certain amounts for the third quarter and nine months ended September 30, 1993, have been reclassified to conform with the presentation for the third quarter and nine months ended September 30, 1994.

Note 2 - Change in Accounting Policy

On October 3, 1994, Promus changed its accounting policy effective January 1, 1994, relating to preopening costs incurred during development of new casino entertainment and hotel projects. Promus' new policy is to capitalize preopening costs as incurred prior to opening and to expense them upon opening of each project. Previously, Promus had capitalized such costs and amortized them to expense over 36 months from the date of opening. As a result of this change, operating results for the nine months ended September 30, 1994, reflect the cumulative charge against earnings, net of income taxes, of $7.9 million, or $0.08 per share, to write off the unamortized preopening costs balances related to projects opened in prior years. Operating results for the third quarter and the first nine months of 1994 also include preopening costs charged to expense of $10.2 million and $15.3 million, respectively, primarily related to projects opened during 1994.

Note 3 - Long-Term Debt

Interest Rate Agreements

In order to benefit from favorable interest rates in recent years, Promus entered into several interest rate swap agreements on certain fixed rate debt, as summarized in the following table:

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

Note 3 - Long-Term Debt (Continued)

Associated Debt	Swap Rate (LIBOR+)	Effective Rate at Sept. 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%	8.71%	January 15	July 15, 1998

In accordance with the terms of the interest rate swap agreements, the effective interest rate on $200 million of the 10 7/8% Notes was adjusted on October 15, 1994, to 10.68%. This rate will remain in effect until April 15, 1995.

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. As a result of achieving certain financial covenant requirements during third quarter 1994, the interest rate collar was adjusted on October 21, 1994 from a range between 8.8% and 12.0% to a range of 8.7% to 11.9%. The interest rate protection expires in June 1995.

The differences to be paid or received under the terms of the interest rate swap agreements and the rate collar transaction described above are included in interest expense as payments are made or received. These agreements contain an element of risk that the counterparties may be unable to meet the terms of the agreements. Promus minimizes such risk exposure by limiting the counterparties to major international banks and financial institutions.

As a component of a transaction whereby Promus effectively secured an option to a site for a potential casino, Promus has guaranteed third party debt of $25 million and has entered into an interest rate swap with the third party in which Promus exchanged a fixed interest rate of 7% for the variable interest rate of the subject debt (LIBOR plus 1.75%). The negative value of the swap, which is marked to market by Promus, was approximately $500,000 at September 30, 1994. The swap agreement expires December 1, 1996 and is also subject to earlier termination upon the occurrence of certain events.

Note 4 - Stockholders' Equity

On April 29, 1994, Promus' stockholders approved an amendment to the Certificate of Incorporation which increased the number of authorized common shares from 120 million to 360 million and reduced the par value per common share from $1.50 to $0.10. As a result, 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.

Note 4 - Stockholders' Equity (Continued)

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

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

Note 5 - 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:

	Nine Months Ended	
(In thousands)	Sept. 30, 1994	Sept. 30, 1993
Interest expense, net of interest capitalized	$78,859	$81,688
Adjustments to reconcile to cash paid for interest		
Promus' share of interest expense of nonconsolidated affiliates	(9,454)	(9,693)
Net change in accruals	(1,123)	(6,019)
Amortization of deferred finance charges	(2,721)	(4,148)
Net amortization of discounts and premiums	(164)	(1,194)
Cash paid for interest, net of amount capitalized	$65,397	$60,634
Cash payments for income taxes, net of refunds	$74,545	$34,636

Note 6 - Commitments and Contingent Liabilities

Harrah's New Orleans

A Promus subsidiary is a one-third partner in a partnership (the Partnership) developing the sole land-based casino permitted by law to operate in Orleans Parish, Louisiana. The estimated cost of the project is $815 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 to be operated by the Partnership during construction of the permanent casino. The Partnership has executed an underwriting agreement for the sale of $435 million of first mortgage notes and a credit agreement for a $175 million bank facility. Closing of these agreements is expected to occur on or about November 16, 1994.

Note 6 - Commitments and Contingent Liabilities (Continued)

Promus has committed to provide a total capital contribution to the Partnership at closing ranging from $56.7 million (Promus' proportionate share of total expected capital contributions of $170 million) to $123.3 million, depending on the amount of capital contributions made by the other partners in the Partnership. Promus has also 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.

Contractual Commitments

Promus is pursuing many additional 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 September 30, 1994, Promus has guaranteed third party debts of $67 million and has contractual agreements, primarily related to riverboat casino facilities construction, of $39 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.

Promus has guaranteed the value of a guaranteed investment contract with an insurance company held by Promus' defined contribution savings plan. Promus has also 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 September 30, 1994, is approximately $8.1 million.

Self-Insurance

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

Severance Agreements

As of September 30, 1994, Promus has severance agreements with eleven 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

Note 6 - Commitments and Contingent Liabilities (Continued)

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 September 30, 1994, that would have been payable under the agreements to these executives based on earnings and stock options aggregated approximately $29.3 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 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 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 those issues continue. Final resolution of the disputed issues is not expected to have a materially adverse effect on Promus' consolidated financial position or its results of operations.

Note 7 - Litigation

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

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

Note 8 - Nonconsolidated Affiliates

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

(In thousands)	Third Quarter Ended Sept. 30, 1994	Third Quarter Ended Sept. 30, 1993	Nine Months Ended Sept. 30, 1994	Nine Months Ended Sept. 30, 1993
Revenues	$280,595	$273,068	$766,937	$746,982
Operating income	$ 24,862	$ 29,302	$ 38,779	$ 57,891
Net income (loss)	$ 434	$ 11,837	$(19,095)	$ 4,709

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

(In thousands)	Third Quarter Ended Sept. 30, 1994	Third Quarter Ended Sept. 30, 1993	Nine Months Ended Sept. 30, 1994	Nine Months Ended Sept. 30, 1993
Pre-interest operating income (included in Revenues-other)	$ 2,579	$ 4,642	$ 5,922	$ 12,563
Interest expense (included in Interest expense)	$ (3,302)	$ (3,293)	$ (9,454)	$ (9,693)

(In thousands)	Sept. 30, 1994	Dec. 31, 1993
Promus' investments in and advances to nonconsolidated affiliates		
At equity	$51,706	$35,893
At cost	34,624	34,157
	$86,330	$70,050

The September 30, 1994 balance includes a total investment in and advances to the partnership developing Harrah's New Orleans of approximately $24.1 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 $4.5 million and $5.1 million at September 30, 1994, and December 31, 1993, respectively.

Note 9 - 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 September 30, 1994 and December 31, 1993, and for the third quarter and nine months September 30, 1994 and 1993, prepared on the same basis as Promus, was as follows:

(In thousands)	Sept. 30, 1994	Dec. 31, 1993
Current assets	$ 170,644	$ 165,753
Land, buildings, riverboats and equipment, net	1,442,189	1,338,202
Other assets	301,218	290,454
	1,914,051	1,794,409
Current liabilities	217,112	240,438
Long-term debt	853,535	839,804
Other liabilities	164,973	150,646
Minority interest	18,045	14,984
	1,253,665	1,245,872
Net assets	$ 660,386	$ 548,537

(In thousands)	Third Quarter Ended Sept. 30, 1994	Sept. 30, 1993	Nine Months Ended Sept. 30, 1994	Sept. 30, 1993
Revenues	$431,624	$346,211	$1,178,641	$930,836
Operating income	$115,128	$100,423	$ 308,401	$229,361
Income before income taxes and minority interests	$ 80,691	$ 70,065	$ 209,255	$129,480
Income before extraordinary items and cumulative effect of change in accounting policy	$ 44,437	$ 37,131	$ 111,680	$ 71,281
Net income	$ 44,437	$ 33,009	$ 103,748	$ 65,834

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 $651.3 million of Embassy's net assets were not available for payment of dividends to Promus as of September 30, 1994.

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

Note 10 - Operating Segment Information

Operating results for Promus' operating segments for the third quarter and nine months ended September 30, 1994 and 1993, were as follows:

(In thousands)	Third Quarter Ended Sept. 30, 1994	Third Quarter Ended Sept. 30, 1993	Nine Months Ended Sept. 30, 1994	Nine Months Ended Sept. 30, 1993
Casino Entertainment Segment Operating Data				
Revenues				
Casino	$304,892	$229,707	$831,376	$596,507
Food and beverage	44,948	39,185	121,236	105,438
Rooms	30,291	29,417	80,451	78,060
Management fees	257	-	702	-
Other	19,007	18,304	51,578	43,007
Less: casino promotional allowances	(34,015)	(28,222)	(93,883)	(74,036)
Total revenues	365,380	288,391	991,460	748,976
Operating expenses				
Departmental direct costs				
Casino	139,808	94,384	368,217	265,875
Food and beverage	21,192	22,948	62,999	60,682
Rooms	8,942	9,365	25,420	26,043
Other	100,554	81,469	284,260	219,001
Total operating expenses	270,496	208,166	740,896	571,601
	94,884	80,225	250,564	177,375
Preopening costs	(10,172)	-	(15,313)	-
Operating income	$ 84,712	$ 80,225	$235,251	$177,375
Hotel Segment Operating Data				
Revenues				
Rooms	$ 28,270	$ 27,870	$ 84,167	$ 97,111
Franchise and management fees	22,438	16,084	57,594	44,246
Food and beverage	1,791	1,660	5,908	5,948
Other	12,754	11,170	36,197	31,364
Total revenues	65,253	56,784	183,866	178,669
Operating expenses				
Departmental direct costs				
Rooms	14,598	15,270	42,720	51,756
Food and beverage	1,790	1,821	5,823	6,206
Other	20,360	21,594	62,857	70,762
Total operating expenses	36,748	38,685	111,400	128,724
	28,505	18,099	72,466	49,945
Property transactions	2,321	2,019	1,924	1,769
Operating income	$ 30,826	$ 20,118	$ 74,390	$ 51,714
Other Operations Segment Operating Data				
Revenues	$ 1,684	$ 1,535	$ 5,123	$ 4,519
Operating expenses	2,485	1,207	5,448	2,836
Operating income (loss)	$ (801)	$ 328	$ (325)	$ 1,683

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 third quarter and the first nine 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 product, Hampton Inn & Suites, was introduced in late 1993 and is designed to target a new development segment not addressed by the existing brands.

Promus' casino entertainment segment has grown significantly within the past 12 months. 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 third quarter 1993, the segment has grown to include 14 properties located in seven states as of the end of third quarter 1994. The latest addition, Harrah's North Kansas City, opened on September 22. The hotel segment has continued its steady growth during 1994, surpassing the 550 unit milestone during the third quarter. As a result of the growth of the Riverboat Casino Entertainment Division and the hotel segment, Promus' consolidated revenues and cash flows for the nine months ended September 30, 1994, increased 27% and 25%, respectively, over the corresponding prior year period. Increasing competition in several gaming markets, higher casino entertainment project development costs and the writeoff during third quarter 1994 of certain preopening costs reflecting a change in accounting policy (see discussion below) resulted in a decrease of 2.5 percentage points in Promus' overall operating margin for third quarter 1994 as compared with the comparable prior year period; for the first nine months of 1994, however, overall operating margins increased 1.4 percentage points over the prior year period.

RESULTS OF OPERATIONS

Overall

(in millions, except earnings per share)	Third Quarter 1994	Third Quarter 1993	Percent Increase/ (Decrease)	First Nine Months 1994	First Nine Months 1993	Percent Increase/ (Decrease)
Revenues	$432.3	$346.7	24.7 %	$1,180.4	$932.2	26.6 %
Operating income	114.7	100.7	13.9 %	309.3	230.8	34.0 %
Net income	44.1	32.9	34.0 %	104.3	66.4	57.1 %
Earnings per share	0.43	0.32	34.4 %	1.01	0.65	55.4 %
Operating margin	26.5%	29.0%	(2.5)pts	26.2%	24.8%	1.4 pts

Revenues, operating income and earnings per share increased to record levels in both third quarter 1994 and for the nine month period ended September 30, 1994. These increases were primarily the result of an increase in the number of operating casinos during the respective periods and positive hotel operating trends. The hotel segment contributed record operating income due to unit growth and revenue per available room/suite (RevPAR/S) increases achieved by all three brands. A summary of Promus' operating segments' performance for the third quarter and the nine months ended September 30, 1994 and 1993 is presented in Note 10 to the accompanying consolidated condensed financial statements.

On October 3, 1994, Promus changed its accounting policy, effective January 1, 1994, related to preopening costs incurred during development of new casino entertainment and hotel projects. Promus' new policy is to capitalize preopening costs as incurred prior to opening and to expense them upon opening of each project. Previously, Promus had capitalized such costs and amortized them to expense over 36 months from the date of opening. As a result of this change, operating results for the nine months ended September 30, 1994, reflect the cumulative charge against earnings, net of income taxes, of $7.9 million, or $.08 per share, to write off the unamortized preopening costs balances related to projects opened in prior years. Operating results for the third quarter and the first nine months of 1994 also include preopening costs charged to expense of $10.2 million and $15.3 million, respectively, primarily related to projects opened during 1994.

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 preopening costs and property transactions for the twelve-month periods ended September 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 September 30,

	In Millions of Dollars			Percent of Total		
	1994	1993	1992	1994	1993	1992
Casino Entertainment						
Riverboat	$114	$ 12	$ -	29 %	4 %	- %
Northern Nevada	77	73	67	19 %	27 %	28 %
Southern Nevada	75	77	65	19 %	28 %	27 %
Atlantic City	70	68	66	18 %	25 %	28 %
New Orleans	(7)	-	-	(2)%	-	-
Other, including project development costs	(21)	(17)	(8)	(5)%	(6)%	(4)%
Total	308	213	190	78 %	78 %	79 %
Hotel	88	58	50	22 %	21 %	21 %
Other	1	2	-	-	1 %	-
Total Promus	$397	$273	$240	100 %	100 %	100 %

CASINO ENTERTAINMENT

Promus' casino entertainment segment includes the combined results of Promus' 14 casino entertainment properties located in Colorado, Illinois, Louisiana, Mississippi, Missouri, Nevada and New Jersey. During the past twelve months, the Company has added a second riverboat in Joliet, Illinois, and has begun riverboat operations in Tunica and Vicksburg, Mississippi; Shreveport, Louisiana; and North Kansas City, Missouri. In addition, the Company assumed management of two limited stakes casinos in the Colorado markets of Black Hawk and Central City. This increase in the number of casinos, in particular the riverboat casinos, has resulted in record revenues and operating income for the casino entertainment division.

Third quarter casino entertainment revenues exceeded $365 million, an increase of over 26% from third quarter 1993. Operating income before preopening costs for the casino entertainment segment increased over 18% to a record $94.9 million for third quarter 1994. For the nine month period ended September 30, 1994, total revenues for the casino entertainment segment increased 32.4% to $991.5 million, while operating income before preopening costs increased 41.3% to a record $250.5 million. Both increases are directly related to the increase in the number of casinos owned and operated by Promus during the respective periods. The increases in operating income provided by the new riverboat casinos were partially offset by increased development costs and the recognition of Promus' pro-rata share of Harrah's New Orleans preopening related costs.

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

(in millions)	Third Quarter Ended Sept. 30, 1994	Third Quarter Ended Sept. 30, 1993	First Nine Months Sept. 30, 1994	First Nine Months Sept. 30, 1993
Development costs charged to expense	$7.4	$3.6	$14.5	$7.6

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 Promus continues to pursue additional casino development opportunities.

Riverboat Division

(in millions)	Third Quarter 1994	Third Quarter 1993	Percent Increase/ (Decrease)	First Nine Months 1994	First Nine Months 1993	Percent Increase/ (Decrease)
Revenues	$ 103.7	$ 28.5	NM*	$ 296.7	$ 41.9	NM
Operating income	27.6	9.0	NM	98.0	12.0	NM
Operating margin	26.6%	31.6%	(5.0)pts	33.0%	28.6%	4.4 pts
Gaming volume	$1,205.9	$246.5	NM	$3,138.3	$358.1	NM

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* Not Meaningful

As of the end of third quarter 1994, the Riverboat Division included the operations of six riverboats, as compared to one riverboat in operation at the end of third quarter 1993. The latest addition to the Riverboat Division is Harrah's North Star, which opened in North Kansas City, Missouri on September 22, 1994. As a result of the additional riverboat properties, which initially have operated in an environment of limited competition, revenues and operating income have increased dramatically for third quarter 1994 and the nine month period ended September 30, 1994, as compared with the respective prior year periods.

Third quarter operating margins are lower than those achieved in the first and second quarters of 1994 primarily as a result of intense competition in the Mississippi gaming markets in which Promus has operations. During third quarter 1994, in reaction to the increased Mississippi competition, 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 was not material. Despite these measures, operating margins are not expected to return to the levels achieved during the period of limited competition experienced in late 1993 and early 1994.

Southern Nevada

(in millions)	Third Quarter 1994	Third Quarter 1993	Percent Increase/ (Decrease)	First Nine Months 1994	First Nine Months 1993	Percent Increase/ (Decrease)
Revenues	$ 74.5	$ 76.1	(2.1)%	$ 220.5	$ 222.4	(0.9)%
Operating income	18.8	20.1	(6.5)%	57.1	61.0	(6.4)%
Operating margin	25.2%	26.4%	(1.2)pts	25.9%	27.4%	(1.5)pts
Gaming volume	$728.2	$763.5	(4.6)%	$2,237.8	$2,287.4	(2.2)%

Both revenues and operating income were down slightly for the third quarter and the nine month period as compared to the respective prior year periods. This decline is consistent with those noted in the first and second quarters and is directly related to a decline in gaming volume due to the large capacity increases in both the Las Vegas and Laughlin markets within the past year. The addition of three "mega" properties during the fourth quarter 1993 added substantial casino space to the Las Vegas market. The Laughlin market has been impacted not only by a significant capacity increase in its market, but also by its traditional customers visiting the new Las Vegas properties.

Northern Nevada

(in millions)	Third Quarter 1994	Third Quarter 1993	Percent Increase/ (Decrease)	First Nine Months 1994	First Nine Months 1993	Percent Increase/ (Decrease)
Revenues	$ 95.7	$ 95.1	0.6%	$ 241.3	$ 243.9	(1.1)%
Operating income	31.7	31.7	-	62.8	62.7	0.2 %
Operating margin	33.1%	33.3%	(0.2)pts	26.0%	25.7%	0.3pts
Gaming volume	$1,153.2	$1,129.0	2.1%	$2,888.7	$2,896.9	(0.3)%

Revenue and operating income for the third quarter 1994 were consistent with those of third quarter 1993. Year to date revenues remain slightly behind those of 1993 due to the openings of new "mega" properties in the Las Vegas market, which continue to draw some traditional Northern Nevada customers. Despite slightly lower year to date gaming volume and revenues, the Northern Nevada casinos have improved their operating margins and maintained a consistent level of operating income for the nine month period.

Atlantic City

(in millions)	Third Quarter 1994	1993	Percent Increase/ (Decrease)	First Nine Months 1994	1993	Percent Increase/ (Decrease)
Revenues	$ 92.7	$ 88.4	4.9%	$ 236.6	$ 239.0	(1.0)%
Operating income	26.9	25.0	7.6%	55.5	53.8	3.2%
Operating margin	29.0%	28.3%	0.7pts	23.5%	22.5%	1.0pts
Gaming volume	$925.3	$840.5	10.1%	$2,410.6	$2,249.0	7.2%

Third quarter revenue and operating income increased over the comparable prior year period as a result of both growth within the Atlantic City market as a whole and the growth of Harrah's market share. The first phase of a casino renovation project was recently completed, contributing to an increase in gaming volume of 10% during the third quarter. The economies of scale achieved as a result of the higher gaming volume are reflected in the property's improved operating margins.

Harrah's New Orleans

Revenues and operating income for the casino entertainment segment include a loss of $2.1 million for third quarter 1994, and $6.9 million for the first nine months of 1994, representing Promus' pro-rata share of preoperating losses 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

(in millions, except rooms/hotel and RevPAR/S data)	Third Quarter 1994	1993	Percent Increase/ (Decrease)	First Nine Months 1994	1993	Percent Increase/ (Decrease)
Revenues	$ 65.3	$ 56.8	15.0%	$183.9	$178.7	2.9%
Operating income before property transactions	28.5	18.1	57.5%	72.5	49.9	45.3%
Operating margin	43.6%	31.9%	11.7pts	39.4%	27.9%	11.5pts
Number of rooms				76,987	71,592	7.5%
Number of hotels				553	487	13.6%
Total System RevPAR/S						
Embassy Suites	$76.12	$70.29	8.3%	$74.82	$69.84	7.1%
Hampton Inn	44.84	42.09	6.5%	40.86	38.23	6.9%
Homewood Suites	65.50	60.08	9.0%	60.88	56.52	7.7%

Hotel segment revenues and operating income increased to record levels for both third quarter 1994 and the nine months ended September 30, 1994. The increase in revenue is due to both an increase in the number of properties and an increase in RevPAR/S across all three brands. During the past twelve months, there has been a shift in the hotel segment's revenue sources toward additional management and franchise fees. For the nine month period ended September 30, 1994, management and franchise fees represent 31.3% of total revenues, compared with 24.8% for the corresponding 1993 period. Included in 1994 management fee income is a one time fee of $2.3 million. This was received during third quarter 1994 due to the termination and replacement of certain management contracts related to six properties sold by a franchisee to a real estate investment trust (REIT). Promus continues to manage the properties purchased by the REIT. Exclusive of this fee, management fees for the nine month period ended September 30, 1994 would have represented 30.5% of total hotel segment revenues. As a result of the increasing proportion of franchised and managed properties and the resulting cost efficiencies achieved, operating margins for the nine months ended September 30, 1994, increased by 11.5 percentage points over the comparable prior year period.

Other Factors Affecting Income Per Share

(Income)/Expense (in millions)	Third Quarter 1994	Third Quarter 1993	Percent Increase/ (Decrease)	First Nine Months 1994	First Nine Months 1993	Percent Increase/ (Decrease)
Preopening costs	$10.2	$ -	NM	$15.3	$ -	NM
Property transaction gains, net	(2.3)	(2.0)	(15.0)%	(1.9)	(1.8)	(5.6)%
Corporate expense	8.6	5.5	56.4 %	21.6	19.6	10.2 %
Interest expense	26.3	25.4	3.5 %	78.9	81.7	(3.4)%
Interest and other income	(0.4)	(0.4)	-	(1.3)	(1.1)	18.2 %
Effective tax rate	42.9%	44.9%	(2.0)pts	42.0%	43.3%	(1.3)pts
Minority interests	$ 1.7	$ 1.6	6.3 %	$ 9.7	$ 2.2	NM
Extraordinary loss, net	-	4.1	NM	-	5.4	NM
Cumulative effect of change in accounting policy, net	-	-	NM	7.9	-	NM

Preopening costs for third quarter 1994 primarily represent those costs charged to expense upon the opening of Harrah's North Kansas City in September, as well as the writeoff of approximately $2.0 million of costs related to Promus' St. Louis project (see CAPITAL SPENDING AND DEVELOPMENT section). Year to date preopening costs also includes the costs charged to expense upon the opening of Harrah's Shreveport in April 1994. Third quarter 1994 property transaction gains include the recognition of previously deferred income related to prior year sales of certain hotel assets and a gain from the September 1994 sale of a company-owned Hampton Inn hotel. Third quarter 1993 included the gain on the sale of an Embassy Suites property. Interest expense decreased for the nine months ended September 30, 1994, as compared with the prior year as a result of the impact of lower interest rates on Promus' variable rate debt; interest expense in third quarter 1994 was slightly higher than for third quarter 1993 due to higher levels of debt. The effective tax rate remains 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, and has increased as additional joint venture casinos open. The extraordinary losses recorded in the prior year periods represent writeoffs of unamortized deferred finance charges due to early retirements of debt. The cumulative effect of a change in accounting policy recorded in 1994 relates to a change in the Company's accounting policy for preopening costs. This one-time charge represents the writeoff of capitalized preopening costs at January 1, 1994, for properties opened prior to that date (see Note 2 to the accompanying consolidated condensed financial statements).

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 nine months of 1994 on casino development opportunities.

Harrah's New Orleans

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. In March 1994, the

Partnership reached agreement with the City of New Orleans 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. In October 1994 the Partnership executed additional agreements with the City concerning such matters.

The estimated cost of the project is $815 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 has executed an underwriting agreement for the sale of $435 million of first mortgage notes and a credit agreement for a $175 million bank facility. Closing of these agreements is expected to occur on or about November 16, 1994.

The total capital contribution to the Partnership at closing by Promus' subsidiary is expected to range from $56.7 million (Promus' proportionate share of total expected partner capital contributions of $170 million) to $123.3 million, depending on the amount of capital contributions made by the other partners in the Partnership. If Promus' subsidiary makes capital contributions in excess of its proportionate share, then an additional proportionate ownership interest will be transferred to such subsidiary from each partner failing to contribute its proportionate share. Such partner has the option to reacquire substantially all of its transferred interest by making its capital contribution after closing within a certain time period.

If Promus' subsidiary contributes at closing a majority of the total partner capital contributions, and thereby acquires a majority ownership interest in the Partnership, the debt of the Partnership will be deemed debt of Promus and its subsidiaries for purposes of Promus' public debt indentures, unless and until such ownership interest is reduced to 50% or less pursuant to the exercise of the options discussed above. However, since Promus' ownership of a majority interest in the Partnership in such a case is expected to be temporary and voting control of the Partnership will in any event continue to be shared equally by each partner during the option period, the Partnership would not be consolidated into Promus' financial statements for accounting purposes under such circumstances.

Promus has also 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 must be satisfied, including, without limitation, completion of the project financing and satisfying other governmental requirements, including obtaining requisite preopening approvals. Assuming the timely satisfaction of the conditions and legal issues discussed above, the projected opening dates of the temporary casino and permanent casino are expected to be early second quarter 1995 and early second quarter 1996, respectively.

A Registration Statement (Amendment No. 8 to Form S-1) of Harrah's Jazz Company filed with the Securities and Exchange Commission on November 9, 1994, describes the New Orleans project in greater detail including risk factors that could affect the project.

Riverboat Casino Development

During the first nine months of 1994, Promus opened three 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. On September 22, 1994, in North Kansas City, Missouri, Harrah's began operations of the North Star, a classic sternwheeler designed riverboat casino featuring approximately 31,000 square feet of casino space and certain types of casino games and poker machines allowed under Missouri law. The passage of a statewide referendum in Missouri on November 8 permits the addition of traditional reel-type slot machines to the casino entertainment offerings on the North Kansas City riverboat. As a result of the favorable election results, Promus expects to reconfigure its casino to include reel-type slot machines after the vote is certified and appropriate regulatory approvals are received. When the reconfiguration is completed, the facility will offer approximately 800 reel-type slot machines, 200 video gaming devices, and 65 table games.

In addition to the six riverboat casinos now operating, Promus previously announced a second riverboat casino project in the state of Missouri to be located in Maryland Heights, a suburb of St. Louis. Following the failure earlier this year of a statewide referendum that would have approved games of chance for proposed casino developments in Missouri, Promus reevaluated its development plans for this project and postponed construction of the shoreside facilities at the Maryland Heights site. As a result of the passage of the November 8, 1994 statewide referendum in Missouri to approve offering games of chance in casinos, the Company will move forward to finalize design on the project, which is now expected to be completed during fourth quarter 1995 at a cost of $115 million. The timetable for construction is subject to receipt of pending regulatory approvals and resolution of related matters. Opening of the casino is subject to state licensing and satisfying other requirements normal for a project of this size. $22.7 million had been spent on the project, primarily to acquire the site for the facility, as of the end of third quarter 1994.

Construction of the casino riverboat originally intended for use at the Maryland Heights site was recently completed at a cost of $15 million. Promus intends to move this riverboat to Shreveport as a significantly larger replacement vessel for the current Shreveport Rose. The exchange will result in approximately 50% more gaming space at the Shreveport facility, a move which is expected to increase Harrah's Shreveport's gaming volume and revenue. The current Shreveport Rose will be maintained and will be available for use at another as yet undetermined site. Promus does not believe that the costs associated with exchanging the boats or with maintaining the current Shreveport Rose will be material.

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. This 33,000 square foot casino is expected to open in December 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 1994. Promus will own a 20% interest in the partnership and will manage the facility for a fee. Of Promus' total expected capital contribution of $27.0 million, $1.4 million had been contributed at September 30, 1994. Construction of the $270 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

On August 31, 1994, a general partnership in which Promus is a 75% partner completed its acquisition of Station Square, an entertainment, business and retail center in Pittsburgh, Pennsylvania. The approximately 52-acre 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. At closing, Promus provided approximately $23.5 million to the partnership in the form of a capital contribution. 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 begun construction of a $28.6 million company-owned Hampton Inn hotel on the site of Harrah's Reno. The 408-room, 26-story hotel is expected to open in January 1996. No major additions of casino square footage or hotel rooms are currently planned at Promus' other existing 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. Other preopening costs are capitalized as incurred and expensed at the respective property's opening.

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

The hotel segment's three established hotel brands continued their steady growth during the first nine months of 1994 with the net addition of 50 franchised properties to the combined system. An additional 68 franchised properties, comprised of 57 Hampton Inn and Hampton Inn and Suites hotels, eight Embassy Suites hotels and three Homewood Suites hotels, were under construction or conversion to Promus brands at September 30, 1994.

Earlier this year Promus announced plans to expand the Homewood Suites 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 a three year period to fund this development. Construction on the first of these properties commenced in October 1994. The property will be a company-owned prototype of a downsized Homewood Suites property, suitable for smaller markets, and is expected to be completed during third quarter 1995 at an estimated cost of approximately $6 million.

Construction on the first Hampton Inn and Suites hotel, a new concept combining rooms and suites within a single property, began in September 1994. The hotel is being developed by a franchisee and is expected to open in second quarter 1995.

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 AND LIQUIDITY 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 $211 million spent during the first nine months of 1994, Promus currently estimates $275 million to $325 million of cash from all sources will be required during 1994, and an additional $250 million to $300 million during 1995, 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

Promus has in place a $650 million reducing revolving and letter of credit facility (the Bank Facility). At September 30, 1994, $224.3 million in borrowings was outstanding under the Bank Facility. An additional $223.4 million of the Bank Facility was committed to back certain letters of credit, including a $204.7 million letter of credit supporting the existing 9% Notes. These facility commitments resulted in $202.3 million of the total facility being available to Promus as of September 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 3/8 of 1% due to Promus' exceeding a defined minimum financial covenant requirement. 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 order to benefit from favorable interest rates in recent years, Promus entered into several interest rate swap agreements on certain fixed rate debt, as summarized in the following table:

Associated Debt	Swap Rate (LIBOR+)	Rate at Sept. 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%	8.71%	January 15	July 15, 1998

In accordance with the terms of the interest rate swap agreements, the effective interest rate on $200 million of 10 7/8% Notes was adjusted on October 15, 1994 to 10.68%. This rate will remain in effect until April 15, 1995.

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. As a result of achieving certain financial covenant requirements during third quarter 1994, the interest rate collar was adjusted on October 21, 1994, from a range between 8.8% and 12.0% to a range of 8.7% to 11.9%. The interest rate protection expires in June 1995.

The differences to be paid or received under the terms of the interest rate swap agreements and the rate collar transaction described above are included in interest expense as payments are made or received. These agreements contain an element of risk that the counterparties may be unable to meet the terms of the agreements. Promus minimizes such risk exposure by limiting the counterparties to major international banks and financial institutions.

As a component of a transaction whereby Promus effectively secured an option to a site for a potential casino, Promus has guaranteed third party debt of $25 million and has entered into an interest rate swap with the third party in which Promus exchanged a fixed interest rate of 7% for the variable interest rate of the subject debt (LIBOR plus 1.75%). The negative value of the swap, which is marked to market by the Company, was approximately $500,000 at September 30, 1994. The swap agreement expires December 1, 1996, and is also subject to earlier termination upon the occurrence of certain events.

Shelf Registration

Promus, through its wholly-owned subsidiary Embassy Suites, Inc. (Embassy), has registered up to $200 million of new debt securities pursuant to a shelf registration declared effective by the Securities and Exchange Commission. The terms and conditions of these debt securities, which will be unconditionally guaranteed by Promus, will be determined by market conditions at the time of issuance. The shelf registration expires in August 1995.

INCOME TAX MATTERS

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 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 continue. 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

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

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 and plans for several additional new facilities have been announced. In Laughlin, expansions by competitors completed in 1993 increased the number of rooms available in that market by 12%. In Reno, competitors have begun or 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 October 21, 1994, had resulted in the approval of 110 compacts for the development of casinos on Native American lands in 20 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 help to reduce the potentially negative impact these new developments may have on Promus' overall operations.

INTERCOMPANY DIVIDEND RESTRICTION

Agreements governing the terms of its debt require Promus to abide by covenants which, among other things, limit Embassy's ability to pay dividends and make other restricted payments, as defined, to Promus. The amount of Embassy's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted payments, was approximately $651.3 million at September 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 continue. Final resolution of the disputed issues is not expected to have a materially adverse effect on Promus' consolidated financial position or its results of operations.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

*EX-10.1	Employment Agreement dated as of February 25, 1994, and effective April 29, 1994, between The Promus Companies Incorporated and Philip G. Satre including exhibits thereto.
*EX-10.2	Amendment dated as of August 31, 1994 to The Promus Companies Incorporated Savings and Retirement Plan.
*EX-10.3	Consent dated as of October 7, 1994, among The Promus Companies Incorporated, Embassy Suites, Inc., the Banks and Agents parties thereto, Marina Associates and Bankers Trust Company, as Administrative Agent.
EX-10.4	Form of Amended and Restated Third Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company.(1)
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EX-10.12	Form of Collateral Assignment of Leases and Rents between Harrah's Jazz Company and First National Bank of Commerce as Collateral Agent dated , 1994.(1)

EX-10.13 Form of Act of Security Agreement and Pledge between Harrah's Jazz Company and First National Bank of Commerce as Collateral Agent dated , 1994.(1)

EX-10.14 Form of Pledge Agreement between Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Collateral Agent dated , 1994.(1)

EX-10.15 Form of Security Agreement among Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Collateral Agent dated , 1994.(1)

EX-10.16 Form of Security Agreement among Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Trustee dated , 1994.(1)

EX-10.17 Form of Manager Subordination Agreement (First Mortgage Notes) among Harrah's Jazz Company, Harrah's New Orleans Management Company and First National Bank of Commerce as Trustee dated , 1994.(3)

EX-10.18 Form of Consultant Subordination Agreement (First Mortgage Notes) among Harrah's Jazz Company, Grand Palais Management Company, New Orleans/Louisiana Development Corporation and First National Bank of Commerce as Trustee dated , 1994.(2)

EX-10.19 Form of Completion Guarantor Subordination Agreement (First Mortgage Notes) among Harrah's Jazz Company, The Promus Companies Incorporated, Embassy Suites, Inc. and First National Bank of Commerce as Trustee dated , 1994.(2)

EX-10.20 Amended Lease Agreement between the Rivergate Development Corporation, as Landlord and Harrah's Jazz Company, as Tenant and City of New Orleans, as Intervenor dated March 15, 1994.(4)

EX-10.21 Amended General Development Agreement between Rivergate Development Corporation and Harrah's Jazz Company and City of New Orleans, as Intervenor.(5)

EX-10.22 Temporary Casino Lease between Rivergate Development Corporation, as Landlord and Harrah's Jazz Company, as Tenant and City of New Orleans, as Intervenor dated March 15, 1994.(5)

EX-10.23 Amendment to Amended Lease Agreement between Rivergate Development Corporation, as Landlord and Harrah's Jazz Company, as Tenant and City of New Orleans, as Intervenor dated October 5, 1994.(4)

EX-10.24 Agreement between the City of New Orleans and Harrah's Jazz Company, dated October 5, 1994 (the "Separate City Agreement").(4)

EX-10.25 Agreement among the Rivergate Development Corporation, the City of New Orleans and Embassy Suites, Inc. and Harrah's Jazz Company, as intervenor, dated October 5, 1994 (the "Embassy Access Agreement").(4)

EX-10.26 Casino Operating Contract between the Louisiana Economic Development and Gaming Corporation and Harrah's Jazz Company dated July 15, 1994.(5)

EX-10.27 First Amendment to Casino Operating Contract between the Louisiana Economic Development and Gaming Corporation and Harrah's Jazz Company dated August 31, 1994.(4)

EX-10.28 Amended and Restated Management Agreement between Harrah's New Orleans Management Company and Harrah's Jazz Company dated March 14, 1994.(5)

EX-10.29 Construction Agreement between Harrah's Jazz Company and Centex Landis Construction Co., Inc. dated October 10, 1994, for the construction of the Permanent Casino.(4)

EX-10.30 Construction Agreement between Harrah's Jazz Company and Harvey Honore Construction Company, Inc. and Broadmoor dated October 10, 1994, for the construction of the Temporary Casino.(4)

EX-10.31 Design and Construction Agreement between Harrah's Jazz Company and Broadmoor dated October 10, 1994, for the construction of the parking structure.(4)

EX-10.32 Form of Credit Agreement among Harrah's Jazz Company, Harrah's Jazz Finance Corp., Various Banks and Bankers Trust Company as Administrative Agent dated as of   , 1994.(1)

EX-10.33 Owner's Policy issued March 16, 1994 by First American Title Insurance Company to Harrah's Jazz Company.(4)

EX-10.34 Form of Lender's Title Insurance Commitment issued   , 1994 by First American Title Insurance Company.(2)

EX-10.35 Completion Loan Agreement among Harrah's Jazz Company, Embassy Suites, Inc., The Promus Companies Incorporated, New Orleans/Louisiana Development Corporation, Grand Palais Casino, Inc., and Grand Palais Management Company, L.L.C. dated October 12, 1994.(3)

EX-10.36 Form of First Amendment to the Completion Loan Agreement.(1)

EX-10.37 Construction Lien Indemnity Obligation Agreement between Harrah's Jazz Company and Embassy Suites, Inc. dated October 12, 1994.(3)

EX-10.38 Form of First Amendment to the Construction Lien Indemnity Obligation Agreement.(1)

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EX-10.40 Form of Option Agreement between Harrah's New Orleans Investment Company and Grand Palais Casino Inc. dated , 1994.(1)

EX-10.41 Form of Put Agreement between Harrah's New Orleans Investment Company and New Orleans/ Louisiana Development Corporation dated , 1994.(1)

EX-10.42 Form of Put Agreement between Harrah's New Orleans Investment Company and Grand Palais Casino Inc. dated , 1994.(1)

EX-10.43 Form of Underwriting Agreement among Donaldson, Lufkin and Jenrette Securities Corporation, Salomon Brothers Inc., BT Securities, Harrah's Jazz Company, and Harrah's Jazz Finance Corp. dated , 1994.(1)

*EX-11 Computation of per share earnings.

*EX-18 Letter from independent accountant re change in accounting principles.

*EX-27 Financial Data Schedule.

(b) No reports on Form 8-K were filed during the quarter ended June 30, 1994.

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*Filed herewith.

FOOTNOTES
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(1) Incorporated by reference from Amendment No. 7 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed November 8, 1994.

(2) Incorporated by reference from Amendment No. 6 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed November 4, 1994.

(3) Incorporated by reference from Amendment No. 5 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed October 26, 1994.

(4) Incorporated by reference from Amendment No. 4 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed October 12, 1994.

(5) Incorporated by reference from Amendment No. 3 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed August 4, 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

November 10, 1994

BY: MICHAEL N. REGAN

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

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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 Philip G. Satre (the "Executive").

The Company and the Executive agree as follows:

1. Introductory Statement.

The Company desires to secure the services of the Executive as Chief Executive Officer 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.

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 Chief Executive Officer, 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 the Executive's position as Chief Executive Officer is subject to his yearly re-election as Chief Executive Officer by the Board. See paragraph 6 herein for Executive's rights if such re-election does not occur during the term of this Agreement.

3. Executive's Obligations.

During the period of his service under this Agreement, the Executive shall devote substantially all of his time and energies during business hours to the supervision and conduct, faithfully and to the best of his ability, of the business and affairs of the Company and to the furtherance of its interests, and to such other duties as directed by the Board.

4. Compensation.

The Company shall pay to Executive a salary at the rate of $450,000 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, as amended effective April 29, 1994, 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 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). The Company will also provide Executive with appropriate security arrangements at his residence.

If the Executive dies 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. Termination From Employment on December 31, 1998

5.1 Except as otherwise provided in this Agreement, the date of Executive's termination from employment shall be December 31, 1998.

5.2 After the date of Executive's termination from employment at any time (including termination 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).

5.3 After the date of Executive's termination 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.

6. Termination Without Cause or Resignation for Good Reason

6.1 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 Board to elect Executive as Chief Executive Officer during the annual election of officers shall also be deemed termination without cause for purposes of this Agreement unless, before the election, the Board has sent the written notice initiating termination for Cause as provided in paragraph 11.1 and Executive is thereafter terminated for Cause. Executive reserves the right to resign his position for Good Reason (as defined in paragraph 11.2 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 that are expressly permitted by this Agreement.

6.2 Upon Executive's termination without cause or resignation from his position with Good Reason as described in paragraph 6.1 above:

(a) Executive will continue in employee status as a consultant-employee for two years beginning on the date of such termination without cause or resignation with Good Reason (the "Transition Period"). His stock options and any restricted stock will continue in force for vesting purposes during the Transition Period. Any unvested stock options and unvested shares of restricted stock that do not vest during the Transition Period will be forfeited.

(b) Executive will become vested at the retirement rate under the Executive Deferred Compensation Plan ("EDCP") on the date of such termination without cause or resignation with Good Reason.

(c) Executive will continue to receive his then-current salary rate and the right to participate in the Company's benefit plans during the Transition Period but he will no longer be eligible for bonus, stock option or restricted stock grants or any other long term incentive awards then in effect.

(d) After the expiration of the Transition Period, Executive will be entitled to the lifetime group insurance benefits described in paragraph 5.2.

7. Termination For Cause or Resignation Without Good Reason

7.1 The Board will have the right to terminate Executive at any time from his then-current position for Cause (as defined in paragraph 11.1 herein).

7.2 If Executive is terminated for Cause or if 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, 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 described in paragraph 5.2 above except that any future amendments to such benefits shall apply to him in the same manner as such amendments apply to other employees 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 7.2 will not be applicable if he resigns (with or without Good Reason) within two (2) years after the Change in Control, and in the event of such resignation after a Change in Control he will be entitled to the payments, rights and benefits as provided in paragraph 10 below.

8. Death

In the event of Executive's death prior to December 31, 1998, 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 under 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.

9. Disability

In the event of Executive's disability prior to December 31, 1998, during his employment, 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), and (b) he will be entitled to the lifetime group insurance benefits described in paragraph 5.2. 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, he will receive two years salary continuation together with all other benefits, and during such period of salary continuation any stock options and restricted stock grants then in existence will continue in force for vesting purposes. However, during such period of salary continuation for disability, Executive will not be eligible to participate in the annual bonus plan nor will he be eligible to receive stock option or restricted stock grants or any other long term incentive awards except to the extent approved by the HRC.

10. Change in Control

If a Change in Control as defined in Executive's Severance Agreement occurs prior to Executive's termination of employment and if the Severance Agreement is in force when the Change in Control occurs, then, upon his termination or voluntary or involuntary resignation 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 for "Cause," "Disability" or "Retirement" as set forth in the Severance Agreement, he will be entitled to all the rights, payments and benefits provided under his Severance Agreement including the benefits that the Severance Agreement provides with respect to the benefit plans and programs of the Company resulting from his termination or voluntary resignation, in lieu of the rights and benefits that would otherwise apply under this Agreement by virtue of his termination or resignation, 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 5.2.

11. Definitions of Cause and Good Reason.

11.1 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.

11.2 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 Chief Executive Officer of the Company or a substantial adverse alteration in the nature or status of his responsibilities;

(b) A reduction by the Company in his annual base salary of $450,000 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 14 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.

12. Non-Competition Agreement.

12.1 For a period of two years after Executive's full-time, active employment (which, for purposes of this paragraph 12.1, shall not include employee status as a consultant-employee in paragraph 6.2(a)) with the Company (or with a direct or indirect subsidiary of the Company) 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 (as owner, manager, consultant, licensor, partner, or otherwise) in at the time such employment ends except with the prior specific approval of the Board.

12.2 If Executive breaches any of the above covenants in 12.1, 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. In addition the Company shall be entitled to enforce any such covenants including obtaining monetary damages, specific performance and injunctive relief.

13. 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 13. 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.

14. 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.

15. 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.

16. 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.

17. Assignment.

17.1 Except as otherwise provided in paragraph 17.2, 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.

17.2 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.

18. Binding Effect.

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

19. 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.

20. 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.

PHILIP G. SATRE

Philip G. Satre

(Corporate Seal)

THE PROMUS COMPANIES
INCORPORATED

By: E. O. ROBINSON, JR.

SENIOR VICE PRESIDENT

ATTEST:

VINCENT G. DE YOUNG

Assistant Secretary

THE PROMUS COMPANIES INCORPORATED

November 5, 1992

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

Re: Amended and Restated Severance Agreement

Dear Mr. Satre:

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 July 26, 1991, this Agreement amends and restates, effective January 1, 1992, the agreement regarding Severance Payments dated

January 31, 1990 (the "Existing Agreement"). The Existing Agreement will continue in full force and effect through December 31, 1991. This Agreement shall commence on January 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.

(c) Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of the Company of any of the following circumstances unless, in the case of paragraphs (i), (v), (vi), (vii) or (viii), such circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as defined in Subsections 3(e) and 3(d), respectively, given in respect thereof:

(i) The assignment to you of any duties inconsistent with your status as an executive officer of the Company or a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change in Control of the Company;

(ii) A reduction by the Company in your annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions similarly affecting all executives of the Company and all executives of any person in control of the Company;

(iii) The relocation of the Company's principal executive offices where you are working immediately prior to the Change in Control of the Company to a location more than 50 miles from the location of such offices immediately prior to the Change in Control of the Company or the Company's requiring you to be based anywhere other than the location of the Company's principal executive offices where you were working immediately prior to the Change in Control of the Company except for required travel on the Company's business to an extent substantially consistent with your present business travel obligations;

(iv) The failure by the Company, without your consent, to pay to you any portion of your current compensation except pursuant to an across-the-board compensation deferral similarly affecting all executives of the Company and all executives of any person in control of the Company, or to pay to you 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;

(v) The failure by the Company to continue in effect any compensation plan in which you are participating immediately prior to the Change in Control of the Company which is material to your total compensation, including but not limited to, the Company's Bonus Plan, Executive Deferred Compensation Plan, Restricted Stock Plan, or any substitute plans adopted prior to the Change in Control, 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 your 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 your participation relative to other participants, as existed immediately prior to the Change in Control of the Company;

(vi) The failure by the Company to continue to provide you with benefits substantially similar to those enjoyed by you under any of the Company's pension, savings and retirement plan, life insurance, medical, health and accident, or disability plans in which you were participating at the time of the Change in Control of the Company, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change in Control of the Company, or the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change in Control of the Company;

(vii) 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 5 hereof; or

(viii) Any purported termination of your employment by the Company which is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection 3(d) hereof and the requirements of Subsection 3(b) above; for purposes of this Agreement, no such purported termination shall be effective.

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

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 if such termination is (y) by the Company other than for Cause, Retirement or Disability, or (z) by you for Good Reason.

(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, provided such resignation is by you for Good Reason. 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 for Good Reason, 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 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 an 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 for Good Reason, 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 for Good Reason 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, devises 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: E. O. ROBINSON, JR.

E. O. ROBINSON, JR.
Vice President

Agreed to as of this 8th day
of December, 1992.

PHILIP G. SATRE

Mr. Philip G. Satre

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:

> (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

Administrative Amendment

Dated as of August 31, 1994

to The Promus Companies Incorporated

Savings and Retirement Plan (the "Plan")

Pursuant to authority granted by Section 11.1 of the Plan, the undersigned, Chairman of the Board of Directors of The Promus Companies Incorporated, hereby adopts and approves the following amendments to the Plan:

1. Article IX of the Plan is amended to add the following Section 9.9:

"9.9 Eligible Rollover Distributions. This Section 9.9 applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Article IX, a distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

Definitions:

(a) Eligible rollover distribution: An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a

specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

(b) Eligible retirement plan: An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(c) Distributee: A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(d) Direct rollover: A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee."

2. Article II of the Plan is amended by adding the following

subparagraph (e) to Section 2.13:

"(e) In addition to other applicable limitations set forth in the Plan, and notwithstanding any other provision of the Plan to the contrary, for Plan Years beginning on or after January 1, 1994, the annual compensation of each Employee taken into account under the Plan shall not exceed the OBRA '93 annual compensation limit. The OBRA '93 annual compensation limit is $150,000, as adjusted by the Commissioner for increases in the cost of living in accordance with Section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA '93 annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

For Plan Years beginning on or after January 1, 1994, any reference in this Plan to the limitation under Section 401(a)(17) of the Code shall mean the OBRA '93 annual compensation limit set forth in this provision.

If compensation for any prior determination period is taken into account in determining an Employee's benefits accruing in the current Plan Year, the compensation for that prior determination period is subject to the OBRA '93 annual compensation limit in effect for that prior determination period. For this purpose, for determination periods beginning before the first day of the first Plan Year beginning on or after January 1, 1994, the OBRA '93 annual compensation limit is $150,000."

3. Article IX of the Plan is amended to add the following

paragraphs (e) and f) to Section 9.4:

"(e) The notice required by Section 1.411(a)-11(c) of the Code Regulations will be provided no less than 30 days and no more than 90 days before the annuity starting date.

(f) If a distribution is one to which Sections 401(a)(11) and 417 of the Internal Revenue Code do not apply, such distribution may commence less than 30 days after the notice required under Section 1.411(a)-11(c) of the Code Regulations is given, provided that:

(1) the Plan Administrator clearly informs the Participant that the Participant has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and

(2) the Participant, after receiving the notice, affirmatively elects a distribution."

4. Article IX of the Plan is amended to modify Section 9.1(b)(1)

to read as follows:

"(1) General Rule. Each Member may designate one or more persons as Beneficiary to receive his Account balance in the event of such Member's death. Each such designation shall be made on a form provided by the Plan Administrator, shall be effective only when filed in writing with the Plan Administrator, and shall revoke all prior designations, subject to the provisions of paragraph (2) below. Subject to paragraph (2) below, a trust may be named as a Beneficiary of a Member, but the trust itself will not be treated as a "designated beneficiary" under the Code or Code Regulations including Proposed Code Regulations. If the requirements of Proposed Code Regulation 1.401(a)(9)-1D-5 are met, the beneficiaries of the trust will be treated as "designated beneficiaries" in accordance with and subject to the requirements of Proposed Code Regulation 1.401(a)(9)-1D and E and other applicable regulations. If a trust is named as Beneficiary and the requirements of Proposed Code Regulation 1.401(a)(9)-1D-5 are not met, the Member will be treated as not having a "designated beneficiary" under the Proposed Code Regulations and accordingly distribution will be made to the trust in accordance with the five-year rule in Code Section 401(a)(9)(B)(ii).

5. In order to clarify distribution provisions concerning beneficiaries, Section 9.3(b) of the Plan is amended to read as follows:

"(b) Payment to Beneficiary.

Subject to the provisions below, a Beneficiary entitled to payment under this Article may elect to continue receiving the benefits under the method of payment in effect when the Member died or be paid the remaining Account balance in a single lump sum distribution.

If a Member dies before the time the distribution is considered to have commenced in accordance with the Code or Code Regulations or Proposed Code Regulations (i.e. before April 1 of the year after the year that the Member reaches age 70 1/2), the method of distribution shall satisfy the following requirements:

(1) any remaining portion of the Member's interest that is not payable to a designated beneficiary (as defined under Code Regulations or Proposed Code Regulations) will be distributed within five years after the Participant's death; and

(2) any portion of the Participant's interest that is payable to a designated beneficiary (as defined in Code Regulations or Proposed Code Regulations) will be distributed either (i) within five years after the Member's death, or (ii) over the life of the Beneficiary or over a period certain not extending beyond the life expectancy of the Beneficiary, commencing not later than the end of the calendar year following the calendar year in which the Member died (or, if the designated Beneficiary is the Member's surviving spouse, commencing not later than the end of the calendar year following the calendar year in which the Member would have attained age 70 1/2).

Subject to sections 9.4(b) and 9.6 herein and further subject to the limitations of the Code and Code Regulations or Proposed Code Regulations, the distribution options described in section 9.3(a) above will be offered to a designated beneficiary (as defined under Code or Proposed Code Regulations) whenever the Member dies. The distribution options in Section 9.3(a) will also be offered to satisfy subsection 9.3(b)(2)(ii) above, and for this purpose the term "Member" in section 9.3(a) will refer to the designated beneficiary (except that if the designated beneficiary is not the Member's spouse, the words "or the life expectancy of the Member and his Beneficiary" at the end of 9.3(a)(2) shall not be applicable). Distribution options offered to a Beneficiary who is not an individual shall be those described in the first sentence of this section 9.3(b) except that if the Member dies before April 1 of the year following his/her reaching age 70 1/2, the five-year rule of Code Section 401(a)(9)(B)(ii) shall apply.

In the event a Beneficiary dies, any remaining balance payable to such Beneficiary shall be distributed to the Beneficiary's estate (except where the Beneficiary is the Member's spouse and such spouse had submitted a beneficiary form designating an individual as a Beneficiary prior to the spouse's death). The distribution options available to a deceased Beneficiary's estate or to a designated individual Beneficiary of a deceased spouse-Beneficiary will be a continuation of the payments being made to the deceased Beneficiary at the time of his/her death or a lump sum payment (but any distribution shall in any event be completed by the end of the normal life expectancy of the deceased Beneficiary (measured at the time of the Employee's death) or within five years after the Member's death if the five-year rule applies), provided that, in cases where the deceased Beneficiary is the spouse of a deceased Member, and if such spouse had, prior to such spouse's death, submitted a beneficiary form to the Administrator designating an individual as his/her Beneficiary, then such individual Beneficiary may (in addition to the option of receiving a lump sum or the continuation of existing payments) elect to receive annual installments or a term certain annuity (commencing not later than December 31 of the year following the spouse-Beneficiary's death) over a period of up to 15 years, but in any event such period will not exceed the life expectancy of the individual Beneficiary (measured at the time of the spouse's death) named by the spouse and further will not exceed the life expectancy of the spouse (measured at the time of the Employee's death) if the spouse died after April 1 of the year following the Member's reaching age 70 1/2."

6. In order to clarify a provision concerning pre-retirement death benefits for a surviving spouse in connection with Holiday Inn pension funds, the first sentence of Section 9.6(e)(2) is amended to read as follows:

"The surviving Spouse shall receive a monthly benefit equal to the amount that can be provided by one-half the value of the Member's Employee Account 9."

IN WITNESS WHEREOF, the undersigned has executed this

Administrative Amendment as of the date written above.

MICHAEL D. ROSE

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

CONSENT

CONSENT (this "Consent"), dated as of October 7, 1994, among THE PROMUS COMPANIES INCORPORATED ("Promus"), EMBASSY SUITES, INC. ("Embassy"), MARINA ASSOCIATES ("Marina"), the various lending institutions party to the Credit Agreement referred to below (the "Banks"), BANKERS TRUST COMPANY, THE BANK OF NEW YORK, CREDIT LYONNAIS, ATLANTA AGENCY and THE SUMITOMO BANK, LIMITED, NEW YORK BRANCH, as Agents (the "Agents"), and BANKERS TRUST COMPANY, as Administrative Agent (the "Administrative Agent"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings provided such terms in the Credit Agreement referred to below.

W I T N E S S E T H :

WHEREAS, Promus, Embassy, Marina, the Banks, the Agents and the Administrative Agent are parties to a Credit Agreement, dated as of July 22, 1993 (the "Credit Agreement");

WHEREAS, Harrah's New Orleans Investment Company ("Harrah's Investment"), a Wholly-Owned Subsidiary of Harrah's, a Nevada corporation, is currently a one-third partner in Harrah's Jazz Company, a Louisiana general partnership ("Harrah's Jazz");

WHEREAS, the other two one-third partners in Harrah's Jazz are currently New Orleans/Louisiana Development Corporation ("NOLDC") and Grand Palais Casino, Inc. ("GPCI", and together with NOLDC and Harrah's Investment, the "Partners");

WHEREAS, Harrah's Jazz was formed to operate a temporary and, thereafter, a permanent land based casino in New Orleans, Louisiana (the "New Orleans Casino");

WHEREAS, Harrah's New Orleans Management Company, a Wholly-Owned Subsidiary of Harrah's has been retained by Harrah's Jazz to manage the New Orleans Casino;

WHEREAS, in connection with the formation of Harrah's Jazz, Harrah's Investment has made, or will make, an initial equity investment of approximately $23,333,333 (the "Initial Equity Contribution");

WHEREAS, in connection with the completion of the New Orleans Casino, (i) Promus and/or Embassy will enter into one or more completion guaranties (the "Completion Guaranties") in favor of certain lenders to Harrah's Jazz, the City of New Orleans and one more other governmental agencies of the State of Louisiana, (ii) Promus and/or Embassy will agree to make directly, or through one or more of their Subsidiaries, up to an additional $100,000,000 cash equity investment in Harrah's Jazz (the "Additional Equity Contribution"), (iii) Promus and/or Embassy will enter into certain indemnity arrangements with the title insurance companies providing the title insurance for the New Orleans Casino (the "Indemnity Arrangements") and (iv) Promus, Embassy and/or Harrah's Investment will agree to make, either directly or through one or more of their Subsidiaries, loans to NOLDC in an aggregate principal amount not to exceed $16,000,000 (the "NOLDC Loans") the proceeds of which will be used by NOLDC to make its pro rata share of equity contributions to Harrah's

Jazz;

WHEREAS, in the event that Promus and/or Embassy make any payments under the Completion Guaranties or under the Indemnity Arrangements, such payments may be characterized as additional loans or advances made by Promus and/or Embassy to Harrah's Jazz (the "Completion Obligation Loans"); and

WHEREAS, the parties hereto wish to permit certain additional Investments by Promus and its Subsidiaries in and to Harrah's Jazz and/or for the benefit of Harrah's Jazz under the Credit Agreement as herein provided;

NOW, THEREFORE, it is agreed:

1. Notwithstanding anything to the contrary contained in Sections 9.04, 9.05 and 9.06 of the Credit Agreement, Promus and/or Embassy may enter into the Completion Guaranties and Indemnity Arrangements and perform their respective obligations thereunder, and may make (or be deemed to make) Completion Obligation Loans to Harrah's Jazz as a result of such performance.

2. Notwithstanding anything to the contrary contained in Section 9.05 or 9.06 of the Credit Agreement, and in addition to the Investments made in and to Harrah's Jazz as a result of the Completion Obligation Loans, Promus and its Subsidiaries may make additional Investments in or to Harrah's Jazz and/or for the benefit of Harrah's Jazz in an aggregate amount not to exceed $150,000,000, with such Investments to include, but not be limited to, the Initial Equity Contribution, the Additional Equity Contribution and the NOLDC Loans.

It is understood and agreed that (i) any Investments made prior to the date hereof in Harrah's Jazz shall be treated as part of the $150,000,000 of Investments permitted by this Section 2 and not as part of the investment basket permitted under Section 9.05 of the Credit Agreement and (ii) no part of the investment basket permitted under Section 9.05 of the Credit Agreement may be used to make Investments in, to or for the benefit of Harrah's Jazz and its Subsidiaries.

3. Notwithstanding anything to the contrary contained in the Credit Agreement, at no time shall Harrah's Jazz and its Subsidiaries be treated as Subsidiaries of Promus even though Harrah's Jazz and its Subsidiaries may at any time otherwise fall within the definition of "Subsidiary" contained in the Credit Agreement. In addition, for purposes of Section 13.07(a) of the Credit Agreement, Harrah's Jazz and its Subsidiaries will not be treated as Subsidiaries of Promus even though generally accepted accounting principles would require otherwise but shall instead be treated as an equity investment by Promus.

4. In order to induce the Banks to enter into this Consent, Promus and each Borrower hereby represents and warrants that (x) no Default or Event of Default exists on the Consent Effective Date (as defined below) both before and after giving effect to this Consent and (y) all of the representations and warranties contained in the Credit Agreement shall be true and correct in all material respects as of the Consent Effective Date both before and after giving effect to this Consent, with the same effect as though such representations and warranties had been made on and as of the Consent Effective Date (it being understood that any representation or warranty made as of a specified date shall be required to be true and correct in all material respects only as of such specific date).

5. This Consent is limited as specified and shall not constitute a modification, acceptance or waiver of any other provision of the Credit Agreement or any other Credit Document.

6. This Consent may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with Promus and the Agent.

7. This Consent and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the State of New York.

8. This Consent shall become effective on the date (the "Consent Effective Date") when Promus, the Borrowers and the Required Banks (i) shall have signed a counterpart hereof (whether the same or different counterparts) and (ii) shall have delivered (including by way of telecopier) the same to the Administrative Agent at the Notice Office.

9. From and after the Consent Effective Date all references in the Credit Agreement and the other Credit Documents to the Credit Agreement shall be deemed to be references to such Credit Agreement as modified hereby.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Consent to be duly executed and delivered as of the date first above written.

THE PROMUS COMPANIES INCORPORATED

By William S. McCalmont

Title: Vice President and Treasurer

EMBASSY SUITES, INC.

By William S. McCalmont

Title: Vice President

MARINA ASSOCIATES

By: HARRAH'S ATLANTIC CITY, INC., a general partner

By William S. McCalmont

Title: Assistant Secretary

By: HARRAH'S NEW JERSEY, INC.,
a general partner

By William S. McCalmont

Title: Assistant Secretary

BANKERS TRUST COMPANY,
Individually and as
Administrative Agent
and as an Agent

By Mary Kay Coyle

Title: Vice President

THE BANK OF NEW YORK,
Individually and as an
Agent

By Gregory L. Batson

Title: Assistant Vice
President

CREDIT LYONNAIS, ATLANTA AGENCY,
Individually and as an Agent

By David M. Cawrse

Title: Vice President

CREDIT LYONNAIS CAYMAN ISLAND
BRANCH

By Raymond Whiteman

Title: Authorized Signature

THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH, Individually
and as an Agent

By Suresh S. Tata

Title: Vice President

BANK OF AMERICA NATIONAL TRUST
AND SAVING ASSOCIATION

By James C. Colegate

Title: Senior Vice President

CITIBANK, N.A.

By Barbara A. Cohen

Title: Vice President

NATIONSBANK OF GEORGIA, N.A.

By Ashley M. Crabtree

Title: Vice President

THE NIPPON CREDIT BANK, LTD.,
LOS ANGELES AGENCY

By Bernardo E. Correa-Henschke

Title: Vice President &
Manager

THE BANK OF NOVA SCOTIA

By F. C. H. Ashby

  Title: Senior Manager Loan
  Operations

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED, NEW YORK BRANCH

By John J. Sullivan

  Title: Joint General Manager

SOCIETE GENERALE

By Don Schubert

  Title: Vice President

GIRO CREDIT BANK

By D. Stephens   John P. Redding

  Title: Vice President

CIBC INC.

By Paul N. Chakmak

  Title: Vice President

THE TOKAI BANK, LIMITED,
  NEW YORK BRANCH

By

  Title:

BANK OF HAWAII

By Peter S. Ho

Title: Vice President

THE BOATMEN'S NATIONAL BANK
OF ST. LOUIS

By Douglas W. Thornsberry

Title: Corporate Banking
Officer

THE DAIWA BANK, LIMITED

By Lauren P. Tosti

Title: Assistant Vice-President

By Teryll L. Herron

Title: Vice President

FIRST AMERICAN NATIONAL BANK

By David C. May

Title: Senior Vice President

FIRST TENNESSEE BANK NATIONAL
ASSOCIATION

By Steven C. Wade

Title: Vice President

FIRST NATIONAL BANK OF COMMERCE

By Steve Croxton

Title: Vice President

THE INDUSTRIAL BANK OF JAPAN,
LIMITED

By Junya Fujiwara

Title: Senior Vice President

MIDLANTIC NATIONAL BANK

By

Title:

THE SANWA BANK, LIMITED,
ATLANTA AGENCY

By

Title:

UNITED STATES NATIONAL BANK
OF OREGON

By Jeffrey W. Jones

Title: Sr. Vice President

FIRST INTERSTATE BANK OF
CALIFORNIA

By Edith Lim

Title: VP

By Kathleen Barnes

Title: VP

DEPOSIT GUARANTY NATIONAL BANK

By Larry C. Ratzliff

Title: Senior Vice President

BANK OF SCOTLAND

By

Title:

THE PROMUS COMPANIES INCORPORATED
COMPUTATION OF PER SHARE EARNINGS

	Third Quarter Ended Sept. 30, 1994	Sept. 30, 1993	Nine Months Ended Sept. 30, 1994	Sept. 30, 1993
Income before extraordinary items and cumulative effect of change in accounting policy	$ 44,183,000	$ 37,057,000	$112,275,000	$ 71,837,000
Extraordinary items, net	-	(4,122,000)	-	(5,447,000)
Cumulative effect of change in accounting policy, net	-	-	(7,932,000)	-
Net income	$ 44,183,000	$ 32,935,000	$104,343,000	$ 66,390,000
Primary earnings per share				
Weighted average number of common shares outstanding	101,649,124	100,678,806	101,585,696	100,604,004
Common stock equivalents				
Additional shares based on average market price for period applicable to:				
Restricted stock	452,743	906,234	456,115	893,061
Stock options	716,129	980,262	789,604	838,379
Average number of primary common and common equivalent shares outstanding	102,817,996	102,565,302	102,831,415	102,335,444
Primary earnings per common and common equivalent share				
Income before extraordinary items and cumulative effect of change in accounting policy	$ 0.43	$ 0.36	$ 1.09	$ 0.70
Extraordinary items, net	-	(0.04)	-	(0.05)
Cumulative effect of change in accounting policy, net	-	-	(0.08)	-
Net income	$ 0.43	$ 0.32	$ 1.01	$ 0.65
Fully diluted earnings per share				
Average number of primary common and common equivalent shares outstanding	102,817,996	102,565,302	102,831,415	102,335,444
Additional shares based on period-end price applicable to:				
Restricted stock	18,177	8,103	39,219	7,009
Stock options	11,282	68,012	-	209,895
Average number of fully diluted common and common equivalent shares outstanding	102,847,455	102,641,417	102,870,634	102,552,348
Fully diluted earnings per common and common equivalent share				
Income before extraordinary items and cumulative				

effect of change in accounting policy	$ 0.43	$ 0.36	$ 1.09	$ 0.70
Extraordinary items, net	-	(0.04)	-	(0.05)
Cumulative effect of change in accounting policy, net	-	-	(0.08)	-
Net income	$ 0.43	$ 0.32	$ 1.01	$ 0.65

November 9, 1994

The Promus Companies Incorporated
1023 Cherry Road
Memphis, TN 38117

RE: Form 10-Q Report for the Quarter Ended September 30, 1994

Gentlemen:

This letter is written to meet the requirements of Regulation S-K calling for a letter from a registrant's independent accountants whenever there has been a change in accounting principle or practice.

We have been informed that, effective January 1, 1994, the Company changed its method of accounting for preopening costs incurred during development of new casino entertainment and hotel projects. Promus' new policy is to capitalize preopening costs as incurred prior to opening and to expense them upon opening of each project. Previously Promus' policy had been to capitalize such costs and amortize them to expense over thirty-six months from the date of opening. According to the management of the Company, this change was made to clearly identify the preopening costs charged to expense for a particular project and to reflect the Company's results of operations on a comparable basis with its primary peer competitors.

A complete coordinated set of financial and reporting standards for determining the preferability of accounting principles among acceptable alternative principles has not been established by the accounting profession. Thus, we cannot make an objective determination of whether the change in accounting described in the preceding paragraph is to a preferable method. However, we have reviewed the pertinent factors, including those related to financial reporting, in this particular case on a subjective basis, and our opinion stated below is based on our determination made in this manner.

We are of the opinion that the Company's change in method of accounting is to an acceptable alternative method of accounting, which, based upon the reasons stated for the change and our discussions with you, is also preferable under the circumstances in this particular case. In arriving at this opinion, we have relied on the business judgment and business planning of your management.

We have not audited the application of this change to the financial statements of any period subsequent to December 31, 1993. Further, we have not examined and do not express any opinion with respect to your financial statements for the nine months ended September 30, 1994.

Very truly yours,

ARTHUR ANDERSEN LLP

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9-MOS
DEC-31-1994
SEP-30-1994
61,607
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57,610
11,258
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1.01