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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED] FOR THE FISCAL YEAR ENDED DECEMBER 31, 1993
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED] 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)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (901) 762-8600

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Capital Stock, Par Value 1.50 per share*	NEW YORK STOCK EXCHANGE MIDWEST STOCK EXCHANGE PACIFIC STOCK EXCHANGE PHILADELPHIA STOCK EXCHANGE
10 1/2% Senior Notes due 1994 of Embassy Suites, Inc.**	NEW YORK STOCK EXCHANGE
11% Subordinated Debentures due 1999 of Embassy Suites, Inc.**	NEW YORK STOCK EXCHANGE
8 3/4% Senior Subordinated Notes due 2000 of Embassy Suites, Inc.**	NEW YORK STOCK EXCHANGE
10 7/8% Senior Subordinated Notes due 2002 of Embassy Suites, Inc.**	NEW YORK STOCK EXCHANGE

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* Common Capital Stock also has special stock purchase rights listed on each of the same exchanges
** Securities guaranteed by Registrant

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X. No .

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

The aggregate market value of the voting stock held by non-affiliates of the registrant based upon the closing price of $47.50 for Common Stock as reported on the New York Stock Exchange Composite Tape on March 4, 1994, is $4,729,458,007.50.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of March 4, 1994.

Common Stock ..... 102,330,710 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 1994 Annual Meeting of Stockholders are incorporated by reference into Part III hereof and portions of the Company's Annual Report to Stockholders for the fiscal year ended December 31, 1993, are incorporated by reference into Parts I and II hereof.

Portions of the definitive Proxy Statement-Prospectus dated December 13, 1989, for the Special Meeting of Stockholders of Holiday Corporation on January 17, 1990, which also constituted an Information Statement of the Company, are incorporated by reference into Part I herein.
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DOCUMENTS INCORPORATED BY REFERENCE

Material from The Promus Companies Incorporated (referred to herein, together with its subsidiaries where the context requires, as the "Company" or "Promus") Annual Report to Stockholders for the fiscal year ended December 31, 1993 (the "Annual Report"), is incorporated by reference in Parts I and II hereof where referred to herein. Material from the Company's Proxy Statement, prepared and mailed to stockholders in accordance with Section 14 of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations of the Securities and Exchange Commission (the "Commission") thereunder, for the Annual Meeting of Stockholders of the Company to be held on April 29, 1994 (the "Proxy Statement"), is incorporated by reference in Part III hereof where referred to therein.

Material from the Holiday Corporation ("Holiday") Proxy Statement-Prospectus dated December 13, 1989 (the "Special Proxy Statement"), which also constituted an Information Statement of the Company, is incorporated by reference in Part I hereof when and as referred to herein. The Special Proxy Statement was prepared and mailed to Holiday stockholders in accordance with Section 14 of the Exchange Act and the rules and regulations of the Commission thereunder for the Special Meeting of Stockholders of Holiday held January 17, 1990.

PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES.

The Company is one of the leading casino entertainment and hotel companies in the United States. Its Harrah's casino entertainment division operates 12 casino properties in five states and has additional casino locations under development. The Company's hotel division operates the Embassy Suites, Hampton Inn and Homewood Suites hotel brands. Another hotel brand, Hampton Inn & Suites, was introduced late in 1993.

Promus was formed in connection with the reorganization of Holiday in February 1990, which involved the acquisition of the Holiday Inn hotel business by Bass Public Limited Company ("Bass"), the transfer of the Harrah's casino entertainment division, the Embassy Suites, Hampton Inn and Homewood Suites hotel divisions and certain other assets to Promus and the distribution of Promus' outstanding stock (the "Spin-off") to Holiday's stockholders (the "Reorganization"). Following the Reorganization, the executive officers of Holiday became the senior management of Promus.

Promus was incorporated on November 2, 1989, under Delaware law and conducts its hotel and casino entertainment businesses through its wholly-owned subsidiary, Embassy Suites, Inc. ("Embassy"), and Embassy's subsidiaries. The principal asset of Promus is the stock of Embassy, which holds, directly or indirectly through subsidiaries, substantially all of the assets of the Company's businesses. The principal executive offices of Promus are located at 1023 Cherry Road, Memphis, Tennessee 38117, telephone (901) 762-8600.

Commencing with the fiscal year 1992, the Company changed to a calendar year-end basis. For prior years, the Company's fiscal year ended on the Friday nearest to December 31. Accordingly, fiscal years 1993, 1992 and 1991 ended on December 31, 1993, December 31, 1992, and January 3, 1992, respectively.

Operating data for the three most recent fiscal years, together with corporate expense, interest expense and other income, is set forth on page 11 of Book Two of the Annual Report. Information as to operating data and identifiable assets applicable to each of the Company's industry segments is set forth on the inside front cover and page 22 of Book Two of the Annual Report. Information regarding mortgages on properties of the Company is set forth on pages 16 and 17 of Book Two of the Annual Report. All of the foregoing pages of Book Two of the Annual Report are incorporated herein by reference.

CASINO ENTERTAINMENT

For information on Casino Entertainment Segment operating results and a discussion of those results, see "Management's Discussion and Analysis--Results of Operations--Casino Entertainment" on pages 6 and 7 of Book Two of the Annual Report and "Operating Results by Segment" on the inside front cover of Book Two of the Annual Report. These pages of Book Two of the Annual Report are incorporated herein by reference.

GENERAL

Harrah's, an indirect wholly-owned subsidiary of Promus, has been in operation for more than 56 years and is unique among casino entertainment companies in its broad geographic diversification. Harrah's or its subsidiaries (hereinafter referred to as "Harrah's") operates casino hotels in the five traditional U.S. gaming markets of Reno, Lake Tahoe, Las Vegas and Laughlin, Nevada, and Atlantic City, New Jersey. It also operates riverboat casinos in Joliet, Illinois; dockside casinos in Vicksburg and Tunica, Mississippi; and limited stakes casinos in Central City and Black Hawk, Colorado. As of December 31, 1993, Harrah's casino properties had a total of approximately 436,400 square feet of casino space, 12,504 slot machines, 641 table games, 5,348 hotel rooms or suites, approximately 76,000 square feet of convention space, 40 restaurants, four showrooms and three cabarets.

Harrah's marketing strategy is designed to appeal primarily to the broad middle-market gaming customer segment. Harrah's strategic direction is focused on establishing a well-defined brand identity that communicates a consistent message.

HARRAH'S CASINO HOTEL DIVISION

ATLANTIC CITY

The Harrah's Atlantic City casino hotel ("Harrah's Atlantic City") has approximately 64,000 square feet of casino space. During 1993, it had the highest gaming revenues and operating profit of the Company's casinos.

Situated on 21.4 acres in the Marina area of Atlantic City, Harrah's Atlantic City consists of dual 16-story hotel towers with 268 suites and 492 regular rooms and adjoining low rise buildings which house the casino space and the 23,000 square foot convention center. The hotel has eight restaurants, an 850-seat showroom, a pool, health club, teen center with video games, child care facilities and parking for 2,452 cars. The property also has a 107-slip marina. Occupancy at the hotel has averaged over 87% for the past five years.

Harrah's Atlantic City seeks to provide a comfortable environment for middle and upper middle income customers to enjoy gaming. Most of the casino's customers arrive by car from within a 150-mile radius which includes Philadelphia, New York and Northern New Jersey. Harrah's Atlantic City gears its advertising and promotional campaigns to the "drive-in" market.

LAS VEGAS

Harrah's Las Vegas is located on approximately 16.4 acres of the Strip in Las Vegas and consists of a 15-floor hotel tower with 488 rooms, a 23-floor hotel tower with 491 rooms, a 32-floor hotel tower with 734 rooms, and adjacent low-rise buildings which house the 15,000 square foot convention center and the casino. The hotel has 1,713 total rooms including 34 suites. The size of the property would permit the Company to expand its facilities if the Company decided that additional capacity were economically desirable in the future.

The Harrah's Las Vegas complex has approximately 80,000 square feet of casino space, five restaurants, the 525-seat Commander's Theatre, a health club and a heated pool. There are 3,087

parking spaces available, including a substantial portion in a self park garage. Occupancy at the hotel has averaged over 91% for the past five years.

Harrah's Las Vegas caters to middle income customers. The casino has marketing programs, such as a low-priced, high-volume buffet, which are generally less expensive than the marketing programs at the Company's other casino hotels. The casino's primary feeder markets are the Midwest, California and Canada.

LAKE TAHOE

Harrah's Lake Tahoe is situated on 22.9 acres near Lake Tahoe and consists of an 18-story tower and adjoining low-rise building which house a 16,500 square foot convention center and approximately 63,200 square feet of casino space. The casino hotel, with 62 suites and 472 luxury rooms, has seven restaurants, the 752-seat South Shore Showroom, a 197-seat cabaret, a health club, a retail shop, heated pool and an arcade. The facility has customer parking for 791 cars in a garage and 1,161 additional spaces in an adjoining lot. Occupancy at the hotel has averaged over 80% for the past five years. A 400-suite Embassy Suites hotel, which is owned by a franchisee and managed by Embassy, provides an additional supply of high-quality guest rooms, conveniently located adjacent to Harrah's Lake Tahoe.

Harrah's also operates Bill's Lake Tahoe Casino which is located on a 2.1 acre site adjacent to Harrah's Lake Tahoe casino hotel. The casino includes approximately 18,000 square feet of casino space and two casual on-premise restaurants, Bennigan's and McDonald's, operated by non-affiliated restaurant companies.

Harrah's Lake Tahoe caters to middle and upper income customers and, accordingly, the customer marketing programs, including use of the showroom, are tailored to these segments. Bill's Casino appeals to those customers who enjoy a more casual atmosphere. The primary feeder markets for both casinos are California and the Pacific Northwest.

RENO

Harrah's Reno, situated on approximately 3.5 acres, consists of a casino hotel complex with a 24-story structure, a 14,500 square foot convention center and 64,300 square feet of casino space. The hotel, with eight suites and 558 rooms, has five restaurants, a snack bar, the 420-seat Sammy's Showroom, a pool, a health club and an arcade. The complex can accommodate 587 cars in a valet parking garage and another 377 cars in a self park garage. In addition to this on-site parking, Harrah's Reno also leases approximately 646 spaces nearby that are available for overflow valet parking. Occupancy at the hotel has averaged approximately 88% for the past five years.

Harrah's Reno caters primarily to middle and upper income customers. The primary feeder markets for Harrah's Reno are Northern California, the Pacific Northwest and Canada.

LAUGHLIN

Harrah's Laughlin is located in Laughlin, Nevada on a 44.9 acre site in a natural cove on the Colorado River and features a hotel with 1,658 total rooms including 23 suites, five restaurants and a 90-seat cabaret, all with a south-of-the-border theme. It is the only property in Laughlin with a developed beachfront on the river. Harrah's Laughlin has approximately 47,000 square feet of casino space and approximately 7,000 square feet of convention center space. The facility has customer parking for 2,789 cars and vans, including a covered parking garage, and a park for recreational vehicles. Occupancy at Harrah's Laughlin has averaged over 84% for the last five years. Harrah's Laughlin caters primarily to middle income customers and targets its advertising and promotional campaigns to the "drive-in" market. It is located within a four-hour drive from both the Los Angeles and Phoenix metropolitan areas where a combined total of approximately 15 million people reside.

CENTRAL CITY AND BLACK HAWK

In December 1993, the Company purchased an approximate 17 percent interest in Eagle Gaming, L.P. ("Eagle"). Eagle owns casinos in Central City and Black Hawk, Colorado, that Harrah's began managing for a fee in December 1993. Both of these casinos are approximately 45 minutes from downtown Denver and offer limited stakes gaming pursuant to Colorado law.

Harrah's Central City is located in four historic buildings decorated in authentic 1800's Victorian furnishings. The casino, with approximately 11,700 square feet of casino space, 490 slot machines and 13 table games, features the 100 year old Glory Hole Bar and the Gilded Garter Cabaret, with live entertainment, two restaurants and a gift shop.

Harrah's Black Hawk is located in the historic mining town of Black Hawk, and has approximately 16,100 square feet of casino space, 476 slot machines, 16 table games, a restaurant and a gift shop, on three levels and is decorated in Victorian design reminiscent of the gold rush days in the late 1800's.

Complimentary shuttle service is available between Harrah's Black Hawk and Harrah's Central City, a distance of approximately one mile.

The primary feeder market for both casinos is the Denver/Boulder metropolitan area.

RIVERBOAT CASINO ENTERTAINMENT DIVISION

JOLIET

Harrah's Joliet, the Company's first riverboat casino, opened in May 1993, in downtown Joliet, Illinois, on the Des Plaines River. The modern 210-foot mega-yacht, Harrah's Northern Star, had 20,000 square feet of casino space with 50 table games and 606 slot machines at year end. The riverboat, which has three levels, has the capacity to accommodate more than 1,000 guests per cruise. It offers six cruises per day. Dockside facilities include a pavilion with two restaurants, two lounges, including one with live entertainment, and a retail shop. Parking is available for over 1,200 cars, including a 4-story parking garage with 750 spaces.

In January 1994, a second riverboat casino, Harrah's Southern Star, was placed into operation in Joliet. This 210-foot long riverboat is designed in the spirit of a traditional 1880's sternwheeler and contains approximately 13,440 square feet of casino space. The tri-level riverboat features a banquet room on its third level, has 365 slot machines, 31 table games, and can accommodate more than 800 guests per cruise. It offers six cruises per day with a seventh cruise offered on Fridays, Saturdays and on holidays. With both riverboats in operation, on a typical weekday Harrah's can serve 10,800 customers each day based on a combined total of 12 excursions. With the opening of the Southern Star, the casino space on the Northern Star was reconfigured to have 31 table games and 565 slot machines.

A joint venture in which an indirect subsidiary of the Company is the 80 percent general partner, developed and owns the dockside facilities and the Harrah's Northern Star vessel. The Harrah's Southern Star vessel is owned by the Company and is leased to the joint venture. Both of the Joliet riverboat businesses are owned by the joint venture and are operated by Harrah's for a fee.

The Chicago metropolitan area is the primary feeder market for Harrah's Joliet, with Joliet being only 35 miles from downtown Chicago.

VICKSBURG

In November 1993, the Company opened a dockside casino entertainment complex in Vicksburg, Mississippi. The complex, which is located in downtown Vicksburg on the Yazoo Diversion Canal of the Mississippi River, includes a 297-foot long stationary riverboat casino designed in the spirit of a traditional 1800's riverboat with approximately 20,000 square feet of casino space, 600 slot machines and 44 table games. The casino is docked next to the Company's shoreside entertainment complex which features a food court, a restaurant/lounge and a retail outlet. Also adjacent to the riverboat is a 117 room Harrah's hotel owned and operated by the Company and two covered parking garages with combined parking for 800 cars. The Company owns the riverboat and holds long-term rights to all real property pertaining to the project.

The casino's primary feeder markets are western and central Mississippi and eastern Louisiana.

TUNICA

In November 1993, the Company opened a dockside riverboat casino in Tunica, Mississippi, which is located approximately 25 miles south of downtown Memphis, Tennessee. The stationary riverboat, with a classic antebellum design, has 32,000 square feet of casino space on three levels, with 1,201 slot machines, 54 table games and an entertainment lounge. Adjacent to the riverboat casino is a 30,000 square foot pavilion that houses a 255-seat buffet restaurant, employee facilities and executive offices. On-site parking is available for 1,336 cars with valet parking available.

The Company owns the constructed facilities and the casino business. It is anticipated that a limited partner will have a 25% minority interest subject to its licensing by regulatory authorities. The underlying land, including adjoining land used for a private access road and a sewage treatment facility, is leased with options to purchase.

The primary feeder market for Harrah's Tunica is the Memphis metropolitan area.

UNDER DEVELOPMENT

SHREVEPORT

In March 1993, a partnership in which an indirect subsidiary of the Company is the general partner and Louisiana developers are limited partners, entered into agreements with the City of Shreveport, Louisiana, to develop and operate a casino entertainment complex in that city. The project, which will be managed by Harrah's, will include a 210-foot long riverboat with 19,600 square feet of casino space, an anticipated 760 slot machines and 40 table games, and dockside facilities. The project, when completed and assuming the exercise of the option discussed in the next paragraph, is expected to involve an investment by the Company of approximately $71 million. Construction commenced in third quarter 1993, with opening expected in April 1994.

The Company is currently a 85.72% partner in the venture which is developing the Shreveport riverboat casino. However, an option agreement has been entered into which could increase the Company's ownership interest in the venture to 96%.

NORTH KANSAS CITY

The Company entered into agreements with the City of North Kansas City, Missouri, in February 1993 to develop and operate a riverboat casino entertainment center in that city. It is anticipated that the Company will invest approximately $83 million to develop the project, which is currently expected to include a 295-foot long riverboat with 31,600 square feet of casino space with an anticipated 1,225 slot machines and 55 table games, and related shoreside facilities. Construction commenced in

1993 with opening expected in third quarter 1994, subject to receipt of necessary regulatory approvals. The project will be owned and operated by the Company.

A state-wide referendum is scheduled in Missouri on April 5, 1994, to address the constitutional uncertainty of certain forms of gaming in that state. Local referenda are being held at the same time in the municipalities where the Company's planned riverboats will be located. If the results of the state-wide referendum or either of the local referenda are unfavorable, this could adversely affect the Company's planned riverboat operations in Missouri.

ST. LOUIS RIVERPORT

Construction is expected to commence in second quarter 1994 on a riverboat casino project along the Missouri River in Maryland Heights, Missouri, in northwest St. Louis County, 16 miles from downtown St. Louis. The 254-foot long 19th-century-design Missouri paddlewheeler riverboat is expected to include approximately 30,000 square feet of casino space with 1,000 slot machines and 55 table games. Completion of the riverboat is projected for fourth quarter 1994 with total project costs estimated at $82 million. Opening of the project is subject to various regulatory approvals. The Company will own and operate the riverboat casino project.

See "North Kansas City" above concerning a state-wide referendum and local referenda in Missouri to be held on April 5, 1994.

INDIAN GAMING DIVISION

SODAK GAMING, INC.

The Company owns a 13.8% ownership interest in Sodak Gaming, Inc. ("Sodak"). Under terms of an agreement with International Game Technology ("IGT") expiring in May 1998, Sodak is the exclusive distributor for IGT of its gaming equipment in the states of North Dakota, South Dakota and Wyoming, and on Native American Reservations within the 48 contiguous states, excluding Nevada and New Jersey. The distribution agreement continues from year to year after May 1998, until it is cancelled.

JACKPOT JUNCTION

The Company currently provides consulting services to the Lower Sioux Indian Nation, the owner of Jackpot Junction Casino, near Morton, Minnesota.

UNDER DEVELOPMENT

AK-CHIN

In August 1993, the Company entered into management and development agreements with the Ak-Chin Indian Community for a planned $24.7 million casino entertainment facility on the Community's land approximately 25 miles south of Phoenix, Arizona. The planned approximate 72,000 square-foot facility will feature 29,500 square feet of casino space with 475 slot machines, 40 gaming tables, bingo, keno, a simulcast/off-track betting operation, food and beverage outlets, meeting space and retail shops.

Construction will commence upon receipt of approval by the National Indian Gaming Commission and the Bureau of Indian Affairs, as appropriate, of the management, development and other agreements. The U.S. Department of the Interior has approved the Community's Tribal/State Compact with the State of Arizona. Opening of the project is subject to various regulatory approvals.

The Company expects to guarantee repayment of bank financing equal to 100 percent of the project cost for the Ak-Chin facility with Sodak providing a guarantee to Promus for one-half of this financing.

LAND-BASED CASINOS UNDER DEVELOPMENT

NEW ORLEANS

Harrah's New Orleans Investment Company (an indirect wholly-owned subsidiary of the Company) ("Harrah's Investment") is a partner in a two-party partnership that was selected to exclusively negotiate for a contract to own and operate the only land-based casino entertainment facility in New Orleans. Subsequent to such selection, Harrah's Investment and its partner added a third partner to the project and formed a new three-party general partnership under the name Harrah's Jazz Company. Harrah's Investment is a one-third partner in Harrah's Jazz Company. Harrah's Jazz Company plans to construct a new facility called "Harrah's Casino New Orleans" on the site of the present Rivergate Convention Center in downtown New Orleans (the "Rivergate site"), featuring approximately 200,000 square feet of casino space, approximately 6,000 slot machines and 200 table games (the "Permanent Casino").

Pending the opening of the Permanent Casino, Harrah's Jazz Company plans to open an approximate 76,000 square foot temporary casino in the New Orleans Municipal Auditorium, with approximately 3,000 slot machines and 85 table games (the "Temporary Casino"). It is anticipated that the Temporary Casino will open in the third quarter 1994, and the Permanent Casino is expected to open approximately one year after the opening of the Temporary Casino. (The Temporary Casino and the Permanent Casino are sometimes referred to herein as the "New Orleans Gaming Facilities".) The sites for the New Orleans Gaming Facilities have been leased from the City of New Orleans. The construction and opening of both casinos are subject to the securing of financing and receipt of necessary regulatory and other governmental approvals, including execution of a casino operating contract, or license, from the State of Louisiana.

The total project cost is expected to be $720 million, which is expected to be financed through a combination of partner capital contributions, public debt securities and bank debt. Promus' total capital contribution to this project is expected to be approximately $23.3 million. An indirect wholly-owned subsidiary of the Company will manage the operations for a fee. In exchange for a fee to be paid by Harrah's Jazz Company, the Company will agree to guarantee the completion of the New Orleans Gaming Facilities, subject to certain exceptions and qualifications.

Harrah's Jazz Company has filed a Form S-1 Registration Statement with the Commission to register $425 million of public debt securities to finance a significant portion of the development of the New Orleans Gaming Facilities. The Form S-1 Registration Statement, which includes a description of various risk factors that could affect the development and operations of the New Orleans Gaming Facilities, has not yet been declared effective.

Litigation was instituted in the Civil District Court for the Parish of New Orleans in 1993 styled Henry George McCall vs. Harry McCall, Jr. et. al (the "McCall Litigation"). The plaintiffs asserted an ownership interest in certain land underlying the Rivergate site and sought, among other things, certain injunctive relief with respect to the Rivergate site. On February 22, 1994, the Civil District Court granted summary judgment against the plaintiffs regarding all of their claims, which was a favorable result for Harrah's Jazz Company. However, the plaintiffs may appeal such judgment. If the McCall Litigation were ultimately decided unfavorably, it could delay or prevent the opening of the Temporary Casino and/or the Permanent Casino or adversely affect their operations. If the Rivergate site is, for any reason, not available for the Permanent Casino, current law would not allow the Permanent Casino to be located at another site. Harrah's Jazz Company will procure title insurance to cover, subject to certain limits, the losses that may result from

loss of the sites for the Permanent Casino or the Temporary Casino. There can be no assurance that the title insurance will be sufficient to cover losses incurred by Harrah's Jazz Company as a result of an inability to use these sites or that the title insurers will be able to fulfill their financial obligations under the title policy.

NEW ZEALAND

The Company and its venture partner have been granted a license by the New Zealand Casino Control Authority for a casino entertainment facility currently under construction in Auckland, New Zealand. The Company is a 20% partner in the joint venture developing and constructing the casino, which will be managed by the Company for a fee. The Company anticipates making an investment of up to $15 million in the joint venture. The proposed facility will feature 60,000 square feet of casino space, a 344-room hotel, four major restaurants and two food buffets, three lounges, a conference center, bus terminal, and a 2,770 car parking garage. A special attraction of the facility will be a 1,076-foot Sky Tower. Construction of the project currently budgeted at $150 million, to be financed through a combination of partner contributions and non-recourse debt, began in first quarter 1994. Opening of the project, which is expected in first quarter 1996, is subject to receipt of necessary regulatory approvals.

CASINO ENTERTAINMENT-OTHER

In addition to the above, the Company is actively pursuing numerous casino entertainment opportunities in various jurisdictions both domestically and abroad, including riverboat casino and Indian gaming projects in the United States. A number of these projects, if they go forward, would require significant capital investments by the Company.

HOTELS

For information on Hotel Segment operating results and a discussion of those results, see "Management's Discussion and Analysis--Results of Operations--Hotel" on pages 7 and 8 of Book Two of the Annual Report and "Operating Results by Segment" on the inside front cover of Book Two of the Annual Report, which pages are incorporated herein by reference.

GENERAL

The Company's hotel business consists of the Embassy Suites, Hampton Inn and Homewood Suites hotel brands. Each brand is targeted to a specific market segment. In December 1993, the Company announced a new brand, Hampton Inn & Suites.

Embassy Suites hotels, of which there were 107 on December 31, 1993, appeal to the traveler who has a need or desire for greater space and more focused services than are available in traditional upscale hotels. Embassy Suites hotels comprise the largest all-suite upscale hotel system in the United States by number of suites and system revenues.

Hampton Inn hotels are moderately priced hotels designed to attract the business and leisure traveler desiring quality accommodations at affordable prices. Since 1984, when the brand was introduced, the system has grown to 372 hotels as of December 31, 1993.

Homewood Suites hotels, of which there were 24 on December 31, 1993, represent the Company's entry in the extended stay market and target the traveler who stays five or more consecutive nights, as well as the traditional business and leisure traveler.

The Hampton Inn & Suites brand now under development will incorporate the best features of the Hampton Inn and Homewood Suites brands, offering both traditional hotel room accommodations and apartment-style suites.

As of December 31, 1993, the Company's hotel brands included 401 properties that are licensed by the Company, 70 properties that are managed by the Company, and 32 properties that are owned and operated by the Company. These properties total 72,950 rooms and suites.

In October 1993, the senior management of the Company's hotel brands were combined into a single management team responsible for all hotel brands.

The Company pursues a strategy of growing its hotel brands more rapidly by minimizing its ownership of hotel real estate and concentrating on obtaining new franchise or management contracts. As a part of this strategy, owned or leased hotels are sold thereby realizing the value of the underlying assets for its stockholders and increasing returns on investment. Following the sale, the hotels are operated either by the Company under a management contract or by the purchaser under license from the Company. In 1993, the Company transferred ownership of six Embassy Suites hotels, all of which remained in the system as franchises and five of which are being managed by Embassy Suites under management contracts.

Each of the Company's hotel brands uses a centralized business system, which includes access to reservation services, performance support or training, operations management and revenue management. This network of business systems is one of the most sophisticated systems in the hotel industry. The Embassy Suites, Hampton Inn and Homewood Suites business systems' reservation module receives reservation requests entered on terminals located at all of their respective hotels and reservations centers, and major domestic airlines. The systems immediately confirm reservations or indicate accommodations available at alternate system hotels. Confirmations are transmitted automatically to the hotel for which the reservation is made. The Company's computer center in Memphis, Tennessee, houses the computers and satellite communications equipment necessary for its reservations system, which is currently operational, and for its new property management system, which is currently under development.

Each of the Company's hotel brands now offers an unconditional money-back guarantee of service satisfaction. The Hampton Inn "100% Satisfaction Guarantee" and Homewood Suites "Suite Assurance" guarantee have been in place since 1989 and the Embassy Suites "The Embassy Suites Way" was initiated in 1991 and expanded system-wide in second quarter 1992. All of the Company's hotel brands offer suites/rooms exclusively for non-smoking guests.

EMBASSY SUITES HOTELS

Embassy Suites hotels are all-suite hotels targeted at the traveler who has a need or desire for greater space and more focused services than are available in most traditional hotels. The following table sets forth information regarding all Embassy Suites hotels, including company-owned hotels,

hotels operated by Embassy under management contracts or joint venture arrangements and hotels operated by licensees:

	LICENSED		OWNED		MANAGEMENT CONTRACTS/ JOINT VENTURES	
	NUMBER OF HOTELS	NUMBER OF SUITES	NUMBER OF HOTELS	NUMBER OF SUITES	NUMBER OF HOTELS	NUMBER OF SUITES
Fiscal Year-End 1990	42	9,824	8	1,716	50	12,788
1991 Activity:						
Additions	2	476	6	1,519	4	1,254
Conversions, net(a)	2	677	1	215	(3)	(892)
Sales/Terminations	(4)(b)	(1,171)	-	-	(7)(b)	(1,698)
Fiscal Year-End 1991	42	9,806	15	3,450	44	11,452
1992 Activity:						
Additions	2	685	-	-	-	(3)
Conversions, net(a)	1	221	-	-	(1)	(221)
Fiscal Year-End 1992	45	10,712	15	3,450	43	11,228
1993 Activity:						
Additions	5	938	-	-	-	(3)
Conversions, net(a)	3	900	(6)	(1,423)	3	523
Sales/Terminations	(1)	(196)	-	-	-	-
Fiscal/Year-End 1993	52	12,354	9(c)	2,027	46(d)	11,748

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(a) Conversions consist of transfers of properties among the licensed, managed and owned categories.

(b) The decrease in number of hotels was due to litigation with an owner-licensee which was settled in 1991.

(c) Includes one property in which the Company owns more than a 50% interest. (This property is under a license agreement to a third party and is managed by Embassy.)

(d) Includes 44 hotels that are also licensed to third parties.

On December 31, 1993, five Embassy Suites hotels were under construction, all of which will be licensee-operated.

Embassy Suites hotels are located in 31 states and the District of Columbia in the United States and two hotels are located in Canada. One hotel is under construction in Thailand. Embassy Suites hotels generally have between 142 and 460 suites. Each guest suite has a separate living room and dining/work area, with a color television, refrigerator and wet bar, as well as a traditional bedroom where most feature a remote-controlled television. Most Embassy Suites hotels are built around an atrium lobby. All hotels offer a free breakfast and complimentary evening cocktails.

The following table sets forth information concerning system occupancy, average daily rate per occupied suite and revenue per available suite for all Embassy Suites hotels:

FISCAL YEAR	OCCUPANCY RATE	AVERAGE DAILY RATE PER OCCUPIED SUITE	REVENUE PER AVAILABLE SUITE
1993	73.0%	$ 93.91	$ 68.58
1992	71.7%	$ 90.97	$ 65.26
1991	69.4%	$ 88.19	$ 61.19

HAMPTON INN HOTELS

Hampton Inn hotels are moderately priced hotels designed to attract business and leisure travelers desiring quality accommodations at affordable prices. The following table sets forth information regarding all Hampton Inn hotels, including company-owned hotels, hotels operated by Hampton Inns under management contracts or joint venture arrangements and hotels operated by licensees:

	LICENSED		OWNED		MANAGEMENT CONTRACTS/ JOINT VENTURES	
	NUMBER OF HOTELS	NUMBER OF ROOMS	NUMBER OF HOTELS	NUMBER OF ROOMS	NUMBER OF HOTELS	NUMBER OF ROOMS
Fiscal Year-End 1990	216	27,180	13	1,756	19	2,376
1991 Activity:						
Additions	45	5,362	2	293	2	242
Terminations	(2)	(239)	-	-	-	-
Fiscal Year-End 1991	259	32,303	15	2,049	21	2,618
1992 Activity:						
Additions	32	3,216	-	(1)	2	292
Terminations	(2)	(277)	-	-	-	-
Fiscal Year-End 1992	289	35,242	15	2,048	23	2,910
1993 Activity:						
Additions	46	4,147	-	-	1	51
Terminations	(2)	(236)	-	-	-	-
Fiscal Year-End 1993	333(a)	39,153	15	2,048	24(b)	2,961

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(a) Includes one property open only on a seasonal basis.

(b) These hotels are also licensed to third parties.

On December 31, 1993, 41 Hampton Inn hotels were under construction, all of which will be licensee-operated.

Hampton Inn hotels are currently located in 43 states in the United States, one hotel is in Canada, one hotel is in Mexico and one hotel is under construction in Chile. An average Hampton Inn hotel has from 100 to 150 rooms. The Hampton Inn hotel's standardized concept provides a guest room featuring a color television, free in-room movies, free local telephone calls and complimentary continental breakfast. Unlike full-service hotels, Hampton Inn hotels do not feature restaurants, lounges or large public spaces. Room rates typically are below those of traditional midscale hotels.

Hampton Inns also has a modified lodging property for use in communities supporting hotels of fewer than 100 rooms. The building design for these smaller communities has the same features as a standard Hampton Inn hotel, but with fewer rooms and a smaller lobby. There are over 60 of these modified design hotels open and 26 currently under construction.

Hampton Inn hotels compete in the segment of the lodging market that is directed primarily to business and leisure travelers desiring quality accommodations at reasonable prices. The following table sets forth information concerning system occupancy, average daily rate per occupied room and revenue per available room for all Hampton Inn hotels:

FISCAL YEAR	OCCUPANCY RATE	AVERAGE DAILY RATE PER OCCUPIED ROOM	REVENUE PER AVAILABLE ROOM
1993	73.0%	$ 50.81	$ 37.10
1992	71.2%	$ 48.91	$ 34.82
1991	68.6%	$ 47.22	$ 32.39

In December 1993, the Company announced the Hampton Inn & Suites brand which combines standard guest rooms with a significant block of two-room suites in a single property. Development of this new brand is targeted for commercial and suburban markets, as well as destination and resort markets. Each property will contain a centrally located "Lodge" which will serve as an expanded lobby and complimentary services area and will include an exercise room, convenience shop, meeting/hospitality room and coin-laundry. An expanded complimentary continental breakfast-buffet will be offered. The first Hampton Inn & Suites hotel is expected to open during 1995.

HOMEWOOD SUITES HOTELS

The Homewood Suites brand is the Company's entry in the extended stay market and is targeted for travelers who stay five or more consecutive nights, but is also a unique alternative to traditional business and leisure travelers. The following table sets forth information regarding all Homewood Suites hotels, including company-owned hotels and hotels operated by licensees:

	LICENSED		OWNED	
	NUMBER OF HOTELS	NUMBER OF SUITES	NUMBER OF HOTELS	NUMBER OF SUITES
Fiscal Year-End 1990	9	851	7	820
1991 Activity:				
Additions	5	653	1	120
Fiscal Year-End 1991	14	1,504	8	940
1992 Activity:				
Additions	2	250	-	(8)
Fiscal Year-End 1992	16	1,754	8	932
1993 Activity:				
Additions	-	40	-	-
Fiscal Year-End 1993	16	1,794	8	932

On December 31, 1993, four Homewood Suites hotels were under construction, all of which will be licensee operated.

Homewood Suites hotels are currently located in 16 states and a hotel is under construction in one additional state. Homewood Suites hotels feature residential-style accommodations, which include a living room area (some with fireplaces), separate bedroom (with a king size bed) and bath, and a fully-equipped kitchen. The hotel buildings, generally two-or three-stories, are centered around a central community building, called the Lodge, which affords guests a high level of social interaction. Amenities include a limited complimentary breakfast and a complimentary evening social hour, a convenience store, shopping service, business center, outdoor pool, exercise center and limited meeting facilities.

The Homewood Suites brand includes a smaller, modified prototype of its standard hotel for use in suburban areas of major cities, as well as secondary cities with active industrial or commercial areas. The modified prototype reflects the signature design and amenities of a traditional Homewood Suites hotel, but with fewer suites, a smaller Lodge and other construction modifications that will require less land. There is currently one modified prototype hotel under construction which will be licensee operated.

The following table sets forth information concerning system occupancy, average daily rate per occupied suite and revenue per available suite for all Homewood Suites hotels:

FISCAL YEAR	OCCUPANCY RATE	AVERAGE DAILY RATE PER OCCUPIED SUITE	REVENUE PER AVAILABLE SUITE
1993	75.8%	$ 72.47	$ 54.91
1992	71.9%	$ 69.65	$ 50.10
1991	65.2%	$ 66.84	$ 43.56

LICENSING AND MANAGEMENT CONTRACT OPERATIONS

Revenues from licensing operations for all Embassy Suites, Hampton Inn and Homewood Suites hotels operated under license from Embassy's hotel divisions (referred to in this section as the "Company") consist of initial license application fees and continuing royalties. The initial license agreement application fee for an Embassy Suites license agreement is $500 per room, with a minimum of $100,000, and $400 per room, with a minimum of $40,000, for each Hampton Inn, Hampton Inn & Suites and Homewood Suites license agreement. The license agreements provide for a four percent royalty based upon gross rooms/suites revenues and also provide for a marketing and reservation contribution.

In screening applicants for license agreements, the Company evaluates the character, operations ability, experience and financial responsibility of each applicant; the Company's prior business dealings, if any, with the applicant; market feasibility of the proposed hotel location and other factors. The license agreement establishes general requirements for service and quality of accommodations. The Company provides certain training for licensee management and makes regular inspections of licensed hotels.

License agreements for new hotels generally have a 20-year term. The Company may terminate a license agreement if the licensee fails to timely cure a breach of the license agreement. In certain instances, a license agreement may be terminated by the licensee, but such termination generally requires a payment to the Company.

Revenues from management contracts consist primarily of management fees which typically are five percent of adjusted gross revenues of the hotel. The contract terms governing management fees can vary depending on the size and location of the hotel and other factors relative to the property.

Under the Company's management contracts, the Company, as the manager, operates or supervises all aspects of the hotel's operations. The hotel owner is generally responsible for all costs, expenses and liabilities incurred in connection with operating the hotel including the expenses and salaries of all hotel employees. The hotel owner also enters into a license agreement with the Company and pays the royalty and marketing and reservation contributions as provided in the license agreement. In addition, the hotel owner is often required to set aside a certain percentage of hotel revenues for capital replacement. The Company's management contracts typically have a term of 20 years and most give the Company specified renewal rights. The management contract may be terminated by either party due to an uncured default by the other party.

See the inside front cover of Book Two of the Annual Report, which page is incorporated herein by reference, for revenues from licensing and management contract operations.

TRADEMARKS

The following trademarks used herein are owned by the Company: Promus (R); Harrah's (R); Bill's (R); Embassy Suites (R); The Embassy Suites Way(SM); Hampton Inn (R); Hampton Inn & Suites(SM), Homewood Suites (R); Suite Assurance (R); Harrah's Northern Star(SM); Harrah's Southern Star(SM); A Great Time, Every Time(SM); and Harrah's Jazz Company(SM). The names "Harrah's", "Embassy Suites", "Hampton Inn" and "Homewood Suites" are registered as service marks in the United States and in certain foreign countries. The Company considers all of these marks, and the associated name recognition, to be valuable to its business.

The Company acquired the name "Embassy" (as used in connection with hotels) in eleven countries in western Europe in 1991. The Company paid an initial fee to acquire the name and will pay an additional fee for each hotel opened under the name.

OTHER

TENNESSEE RESTAURANT COMPANY

The Company owns approximately 33% of the outstanding common stock of Tennessee Restaurant Company ("TRC"), which owns Perkins Restaurants, Inc. ("Perkins"). Perkins owns a 50% limited partner's interest in Perkins Family Restaurants, L.P., which operates a chain of free-standing restaurants offering a family style menu. Pursuant to an agreement with the other principal owners of TRC, Embassy does not maintain day-to-day operational control of TRC or any of its affiliates. TRC also owns, on a fully diluted basis, approximately 76.3% of the outstanding stock of Friendly Ice Cream Corporation ("Friendly"). The trademarks Perkins (R) and Friendly's (R) are owned by Perkins and Friendly, respectively.

COMPETITION

CASINO ENTERTAINMENT

Competitors within the casino entertainment industry generally compete on the basis of facility features such as theme/decor, location within a market, service or promotional activity. Harrah's competes throughout the casino entertainment industry by providing high levels of service to guests and a high level of interaction among employees and guests. In addition to creating this people-oriented entertainment experience, each Harrah's property identifies additional strategies and tactics based upon the customers and competitors that are unique to each specific operating market. Comfortable, high quality and fun surroundings are featured at every Harrah's operation. Harrah's targets the broad middle-market gaming customer segment and does not actively seek to attract the very high-end segment or the very low-end segment.

Harrah's competes with numerous casinos and casino hotels of varying quality and size in the market areas where its properties are located, with other resort and vacation areas, and with various other casino gaming businesses such as riverboat casinos, Indian reservation casinos and limited stakes casinos. In 1993, the Company estimates that Harrah's accounted for approximately 7% of the total U.S. casino gaming industry's revenues, 8% of gaming revenue in Nevada and 8.5% of Atlantic City's gaming revenues.

The Las Vegas market has seen the introduction of three mega-properties adding approximately 10,000 new hotel rooms and well over 350,000 square feet of gaming space in 1993. These new mega-properties, along with other existing properties, offer many attractions in addition to casino gaming to bring customers to their property, such as entertainment, shopping malls and theme parks.

The Laughlin gaming market has changed significantly over the past three years with the virtual doubling of available rooms. Harrah's competes with nine other casinos in Laughlin. In 1993, approximately 1,100 rooms were added to the market, with other competitors planning possible expansions in

the future. Historically, the Laughlin market has been served primarily by road (car, bus and recreational vehicle) travel from either Arizona or California residents. Competition in Laughlin centers largely on price of rooms and food and beverage as few properties there offer any alternative entertainment options.

Harrah's Atlantic City competes directly with 11 other casinos in Atlantic City, and to some extent also competes with a large Indian casino in Ledyard, Connecticut. Poker and simulcasting were legalized in 1993 in Atlantic City resulting in limited expansion and casino floor reconfigurations within the market by both competitors and Harrah's. The soft regional economy continued to make it difficult for Atlantic City operators to maintain operating margins as competition for market revenues intensified, leading to higher promotional activities and discounting.

The Company competes with seven major casinos in the Reno area and with five casinos in the Lake Tahoe area. To the Company's knowledge, five major construction projects are planned for the Reno area in the next two years. One project is a major bowling facility being built to accommodate the American Bowling Congress and the Women's International Bowling Congress; the second project will add 1,720 hotel rooms and 60,000 square feet of casino space; the third will add approximately 250 hotel rooms and 12,000 square feet of casino space; the fourth will add 300 hotel rooms and 10,000 square feet of casino space; and the fifth will add 300 hotel rooms and 24,000 square feet of casino space.

Legalization of casino gaming in states beyond Nevada and New Jersey has created the opportunity for Harrah's to expand into new casino entertainment markets. Harrah's' first riverboat casino opened in Joliet, Illinois, in May 1993 and its second opened in January 1994. In November 1993 Harrah's opened dockside gaming facilities in Vicksburg and Tunica, Mississippi. Harrah's also has riverboat projects under development in North Kansas City and Maryland Heights (St. Louis), Missouri, and Shreveport, Louisiana, and is considering additional riverboat projects in other markets.

In Joliet, Harrah's competes with two other licensees within 50 miles of Chicago. Each licensee is allowed a maximum of 1,200 gaming positions on no more than two riverboats, which are required to cruise on approved routes. The most direct competition comes from another licensee near the City of Joliet which is operating two riverboats. A second competitor operates two riverboats in nearby Aurora, Illinois. A third competitor has been licensed to operate in Elgin, Illinois and has reported it expects to open in 1994. Riverboat casinos have also been approved in neighboring Indiana. Furthermore, there continues to be discussion of legalizing casino gaming in downtown Chicago.

Harrah's Vicksburg faces competition from two dockside casinos in the city. Another casino is expected to open in Vicksburg in the second half of 1994, and additional competition is anticipated from an as yet unopened Indian facility in Philadelphia, Mississippi. In Tunica County, there are currently six dockside casinos operating including Harrah's. Some 10 to 15 additional dockside casinos are planned for Tunica County including at least eight which have substantial construction in progress.

Harrah's Black Hawk and Harrah's Central City each compete with numerous gaming establishments in Black Hawk and Central City.

Harrah's Indian Gaming Division has signed development contracts with the Ak-Chin Indian Community outside of Phoenix, Arizona. When this casino opens, it will compete with tribal owned casinos in Arizona, one of which already operates in the Phoenix area. Indian tribes in Arizona that own casinos are permitted to have a specified number of electronic gaming devices depending on the tribal population. However, any one tribal owned location is limited to a maximum of 500 electronic gaming devices and only certain types of table games are permitted. Tribal owned casinos in Arizona will compete for guests with Las Vegas and Laughlin casinos.

When the New Orleans Permanent Casino is completed, it will be one of the largest casinos in the world offering approximately 200,000 square feet of gaming space. Due to their size and nature both the New Orleans Permanent Casino and the Temporary Casino are expected to compete with other major

casino destinations such as Las Vegas, as well as with 15 planned riverboat casinos in Louisiana, including several in the New Orleans metropolitan area, and dockside casinos in Mississippi.

Harrah's and its partner have been selected to develop a casino in Auckland, New Zealand, Harrah's first international casino project. For a minimum of five years after opening, this casino will have no competition in the City of Auckland. It will compete to some extent with existing and future casinos in Australia.

Harrah's believes it is well positioned to take advantage of the recent trends of proliferation of jurisdictions which allow casino gaming, positive consumer acceptance of casino gaming as an entertainment activity and increased visitation to casino facilities. This trend also presents competitive issues for the Company with regard to its existing and planned properties.

HOTELS

Intense competition among many chains exists for hotel guests, as well as in the sale of hotel franchises and in obtaining management contracts. Promus' hotels are in vigorous competition with a wide range of facilities offering various types of lodging options and related services to the public. The competition includes several large and moderate size chains and independent hotels offering all-suite, upper and lower upscale, midscale, and upper and lower economy accommodations.

The hotel industry saw improvement in 1993. With improving occupancies and modest growth in average daily rate, revenue per available room in the industry grew by more than 5% in 1993 based on data provided by the major firm that tracks nationwide hotel statistics.

In 1993 all of the Company's hotel brands outperformed their respective competitive market segments in revenue per available room/suite (RevPAR/S).

In 1993 Embassy Suites increased its RevPAS to $68.58 giving it a $5.15 premium over upscale competition. Embassy Suites also posted occupancy and RevPAS premiums over the upscale all-suite segment of 2.8 percentage points and $4.83 respectively.

Hampton Inns outperformed upper economy and midscale competition in 1993. Hampton Inns achieved RevPAR premiums over upper economy and midscale competition of $9.37 and $3.17, respectively. One out of every ten newly constructed hotels opened in the U.S. in 1993 was a Hampton Inn hotel.

Homewood Suites posted a $5.87 RevPAR premium over competitive lower upscale chains. There are several competitors in this segment including one company with considerably more hotels than Homewood Suites.

CERTAIN MATTERS RELATING TO THE MERGER AGREEMENT WITH BASS

See information on pages 53 through 56, 58 and 59 of the Special Proxy Statement, which pages are incorporated herein by reference, regarding certain representations and warranties, indemnification agreements, insurance agreements and a Tax Sharing Agreement that became effective as a result of the Merger Agreement. These matters are further described in the Merger Agreement that is attached as Annex I to the Special Proxy Statement and the Tax Sharing Agreement that is attached as Annex II to the Special Proxy Statement, each of which agreements is incorporated herein by reference. (See "Legal Proceedings" below for a description of currently pending litigation brought by Bass.)

GOVERNMENTAL REGULATION

GAMING-NEVADA

The ownership and operation of casino gaming facilities in Nevada are subject to: (i) the Nevada Gaming Control Act and the regulations promulgated thereunder (collectively, "Nevada Act"); and (ii) various local regulations. Promus' gaming operations are subject to the licensing and regulatory control of the Nevada Gaming Commission ("Nevada Commission"), the Nevada State Gaming Control Board ("Nevada Board"), the Clark County Liquor and Gaming Licensing Board ("CCLGLB"), the City of Reno ("Reno"), and the Douglas County Sheriff's Department ("Douglas"). The Nevada Commission, the Nevada State Gaming Control Board, the CCLGLB, Reno, and Douglas are collectively referred to as the "Nevada Gaming Authorities."

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

Harrah's Club, Harrah's Las Vegas, Inc. and Harrah's Laughlin, Inc., each an indirect subsidiary of Promus (hereinafter collectively referred to as the "Gaming Subsidiaries"), are required to be licensed by the Nevada Gaming Authorities to enable Promus to operate casinos at Harrah's Lake Tahoe, including Bill's Lake Tahoe Casino, Harrah's Reno, Harrah's Las Vegas, and Harrah's Laughlin. The gaming licenses require the periodic payment of fees and taxes and are not transferable. Promus is registered with the Nevada Commission as a publicly traded corporation ("Registered Corporation"), and as such, it is required periodically to submit detailed financial and operating reports to the Nevada Commission and furnish any other information which the Nevada Commission may require. No person may become a stockholder of, or receive any percentage of profits from, the Gaming Subsidiaries without first obtaining licenses and approvals from the Nevada Gaming Authorities. Promus and the Gaming Subsidiaries have obtained from the Nevada Gaming Authorities the various registrations, approvals, permits and licenses required in order to engage in gaming activities in Nevada.

Promus has been found suitable to be the sole shareholder of Embassy, which in turn is registered as a publicly-traded corporation (by virtue of being the obligor on certain outstanding debt securities) and has been found suitable to be the sole shareholder of Harrah's. Harrah's is registered as an intermediary company and has been found suitable to be the sole shareholder of Harrah's Club and Harrah's Laughlin, Inc. In addition to its gaming license, Harrah's Club is also licensed as a manufacturer and distributor of gaming devices, is registered as an intermediary company and has been found suitable to be the sole shareholder of Harrah's Las Vegas, Inc.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, Promus or the Gaming Subsidiaries in order to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Officers, directors and certain key employees of the Gaming Subsidiaries must file applications with the Nevada Gaming Authorities and may be required to be licensed or found suitable by the Nevada Gaming Authorities. Officers, directors and key employees of Promus who are actively and directly involved in gaming activities of the Gaming Subsidiaries may be required to be licensed or found suitable by the Nevada Gaming Authorities. The Nevada Gaming Authorities may deny an application for licensing for any cause which they deem reasonable. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation.

The applicant for licensing or a finding of suitability must pay all the costs of the investigation. Changes in licensed positions must be reported to the Nevada Gaming Authorities and in addition to their authority to deny an application for a finding of suitability or licensure, the Nevada Gaming Authorities have jurisdiction to disapprove a change in a corporate position.

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

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

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

Any beneficial holder of Promus' voting securities, regardless of the number of shares owned, may be required to file an application, be investigated, and have his suitability as a beneficial holder of Promus' voting securities determined if the Nevada Commission has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the state of Nevada. The applicant must pay all costs of investigation incurred by the Nevada Gaming Authorities in conducting any such investigation.

The Nevada Act requires any person who acquires more than 5% of Promus' voting securities to report the acquisition to the Nevada Commission. The Nevada Act requires that beneficial owners of more than 10% of Promus' voting securities apply to the Nevada Commission for a finding of suitability within thirty days after the Chairman of the Nevada Board mails the written notice requiring such filing. Under certain circumstances, an "institutional investor," as defined in the Nevada Act, which acquires more than 10%, but not more than 15%, of Promus' voting securities may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor shall not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of the board of directors of Promus, any change in Promus' corporate charter, bylaws, management, policies or operations of Promus, or any of its gaming affiliates, or any other action which the Nevada Commission finds to be inconsistent with holding Promus' voting securities for investment purposes only. Activities which are not deemed to be inconsistent with holding voting securities for investment purposes only include: (i) voting on all matters voted on by stockholders; (ii) making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in its management, policies or operations; and (iii) such other activities as the Nevada Commission may determine to be consistent with such investment intent. If the beneficial holder of voting securities who must be found suitable is a

corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

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

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

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

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

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

The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and corporate defense tactics affecting Nevada gaming licensees, and Registered Corporations that are affiliated with those operations, may be injurious to stable and productive corporate gaming. The Nevada Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to: (i) assure the financial stability of corporate gaming operators and their affiliates; (ii) preserve the beneficial aspects of conducting business in the corporate form; and (iii) promote a neutral environmental for the orderly governance of corporate affairs. Approvals are, in certain circumstances, required from the Nevada Commission before the Company can make exceptional repurchases of voting securities above the current market price thereof and before a corporate acquisition opposed by management can be consummated. The Nevada Act also requires prior approval of a plan of recapitalization proposed by the Company's Board of Directors in response to a tender offer made directly to the Registered Corporation's stockholders for the purposes of acquiring control of the Registered Corporation.

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

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

GAMING-NEW JERSEY

As a holding company of Marina Associates ("Marina"), which holds a license to operate Harrah's Atlantic City in New Jersey, Promus is subject to the provisions of the New Jersey Casino Control Act (the "New Jersey Act"). The ownership and operation of casino hotel facilities in Atlantic City, New Jersey, are the subject of pervasive state regulation under the New Jersey Act and the regulations adopted thereunder by the New Jersey Casino Control Commission (the "New Jersey Commission"). The New Jersey Commission is empowered to regulate a wide spectrum of gaming and non-gaming related activities and to approve the form of ownership and financial structure of not only the casino licensee, Marina, but also its intermediary and ultimate holding companies, including Promus and Embassy. In addition to taxes imposed by the State of New Jersey on all businesses, the New Jersey Act imposes certain fees and taxes on casino licensees, including an 8% gross gaming revenue tax, an investment alternative obligation of 1.25% (or an investment alternative tax of 2.5%) of gross gaming revenue and various license fees.

No casino hotel facility may operate unless the appropriate licenses and approvals are obtained from the New Jersey Commission, which has broad discretion with regard to the issuance, renewal and revocation or suspension of the non-transferable casino license (which licenses are issued initially for a one-year period and renewable for a one-year period for the first two renewal periods and two years thereafter), including the power to impose conditions which are necessary to effectuate the purposes of the New Jersey Act. Each applicant for a casino license must demonstrate, among other things, its financial stability (including establishing ability to maintain adequate casino bankroll, meet ongoing operating expenses, pay all local, state and federal taxes, make necessary capital improvements and pay, exchange, refinance, or extend all long and short term debt due and payable during the license term), its financial integrity and responsibility, its reputation for good character, honesty and integrity, the suitability of the casino and related facilities and that it has sufficient business ability and casino experience to establish the likelihood of creation or maintenance of a successful, efficient casino operation. With the exception of licensed lending institutions and certain "institutional investors" waived from the qualification requirements under the New Jersey Act, each applicant is also required to establish the reputation of its financial sources including, but not limited to, its financial backers, investors, mortgagees and bond holders.

The New Jersey Act requires that all officers, directors and principal employees of the casino licensee be licensed. In addition, each person who directly or indirectly holds any beneficial interest or ownership of the casino licensee and any person who in the opinion of the New Jersey Commission has the ability to control the casino licensee must obtain qualification approval. Each holding and intermediary company having an interest in the casino licensee must also obtain qualification approval by meeting essentially the same standards as that required of the casino licensee. All directors, officers and persons who directly or indirectly hold any beneficial interest, ownership or control in any of the intermediary or ultimate holding companies of the casino licensee may have to seek qualification from the New Jersey Commission. Lenders, underwriters, agents, employees and security holders of both equity and debt of the intermediary and holding companies of the casino licensee and any other person whom the New Jersey Commission deems appropriate may also have to seek qualification from the New Jersey Commission. Since Promus and Embassy are publicly-traded holding companies (as defined by the New Jersey Act), however, the persons described in the two previous sentences may be waived from compliance with the qualification process if the New Jersey Commission, with the concurrence of the Director of the New Jersey Division of Gaming Enforcement, determines that they are not significantly involved in the activities of the Marina and, in the case of security holders, that they do not have the ability to control Promus (or its subsidiaries) or elect one or more of its directors. Any person holding 5% or more of a security in an intermediary or ultimate holding company, or having the ability to elect one or more of the directors of a company, is presumed to have the ability to control the company and thus may be required to seek qualification unless the presumption is rebutted.

Notwithstanding this presumption of control, the New Jersey Act permits the waiver of the qualification requirements for passive "institutional investors" (as defined by the New Jersey Act), when such institutional holdings are for investment purposes only and where such securities represent less than 10% of the equity securities of a casino licensee's holding or intermediary companies or debt securities of a casino licensee's holding or intermediary companies not exceeding 20% of a company's total outstanding debt or 50% of an individual debt issue. The waiver, which is subject to certain specified conditions including, upon request, the filing of a certified statement that the investor has no intention of influencing the affairs of the issuer, may be granted to an "institutional investor" holding a higher percentage of such securities upon a showing of good cause. If an "institutional investor" is granted a waiver of the qualification requirements and subsequently changes its investment intent, the New Jersey Act provides that no action other than divestiture may be taken by the investor without compliance with the Interim Casino Authorization Act (the "Interim Act") described below.

In the event a security holder of either equity or debt is required to qualify under the New Jersey Act, the provisions of the Interim Act may be triggered requiring, among other things, either: (i) the filing of a completed application for qualification within thirty days after being ordered to do so, which

application must include an approved Trust Agreement pursuant to which all securities of Promus (or its respective subsidiaries) held by the security holder must be placed in trust with a trustee who has been approved by the New Jersey Commission; or (ii) the divestiture of all securities of Promus (or its respective subsidiaries) within 120 days after the New Jersey Commission determines that qualification is required or declines to waive qualification, provided the security holder files a notice of intent to divest within 30 days after the determination of qualification. If a security holder files an application under the Interim Act, during the period the Trust Agreement remains in place, such holder may, through the approved trustee, continue to exercise all rights incident to the ownership of the securities with the exception that: (i) the security holder may only receive a return on its investment in an amount not to exceed the actual cost of the investment (as defined by the New Jersey Act) until the New Jersey Commission finds such holder qualified; and (ii) in the event the New Jersey Commission finds there is reasonable cause to believe that the security holder may be found unqualified, the Trust Agreement will become fully operative vesting the trustee with all rights incident to ownership of the securities pending a determination on such holder's qualifications; provided, however, that during the period the securities remain in trust, the security holder may petition the New Jersey Commission to: (a) direct the trustee to dispose of the trust property; and (b) direct the trustee to distribute proceeds thereof to the security holder in an amount not to exceed the lower of the actual cost of the investment or the value of the securities on the date the Trust became operative. If the security holder is ultimately not found to be qualified, the trustee is required to sell the securities and to distribute the proceeds of the sale to the applicant in an amount not exceeding the lower of the actual cost of the investment or the value of the securities on the date the Trust became operative (if not already sold and distributed at the direction of the security holder) and to distribute the remaining proceeds to the Casino Revenue Fund. If the security holder is found qualified, the Trust Agreement will be terminated.

The New Jersey Commission can find that any holder of the equity or debt securities issued by Promus or its subsidiaries is not qualified to own such securities. If a security holder of Promus or its subsidiaries is found disqualified, the New Jersey Act provides that it is unlawful for the security holder to: (i) receive any dividends or interest payment on such securities; (ii) exercise, directly or indirectly, any rights conferred by the securities; or (iii) receive any remuneration from the company in which the security holder holds an interest. To implement these provisions, the New Jersey Act requires, among other things, casino licensees and their holding companies to adopt provisions in their certificate of incorporation providing for certain remedial action in the event that a holder of any security of such company is found disqualified. The required certificate of incorporation provisions vary depending on whether such company is a publicly or privately traded company as defined by the New Jersey Act. The Certificates of Incorporation of Promus and Embassy (both "publicly-traded companies" as defined by the New Jersey Act) contain provisions which provide Promus and Embassy, respectively, with the right to redeem the securities of disqualified holders, if necessary, to prevent the loss or to secure the reinstatement of any license or franchise held by Promus or Embassy or their subsidiaries. The Certificates of Incorporation of Promus and Embassy also contain provisions defining the redemption price and the rights of a disqualified security holder. In the event a security holder is disqualified, the New Jersey Commission is empowered to propose any necessary action to protect the public interest, including the suspension or revocation of the casino license of Marina. The New Jersey Act provides, however, that the New Jersey Commission shall not take action against a casino licensee or its parent companies with respect to the continued ownership of the security interest by the disqualified holder, if the New Jersey Commission finds that: (i) such company has a certificate of incorporation provision providing for the disposition of such securities as discussed above; (ii) such company has made a good faith effort to comply with any order requiring the divestiture of the security interest held by the disqualified holder; and (iii) the disqualified holder does not have the ability to control the casino licensee or its parent companies or to elect one or more members to the board of directors of such company. The Certificate of Incorporation of Embassy further provides that debt securities issued by Embassy are held subject to the condition that if a holder is found unsuitable by any governmental agency the corporation shall have the right to redeem the securities.

If, at any time, it is determined that Marina or its holding companies have violated the New Jersey Act or regulations promulgated thereunder or that such companies cannot meet the qualification requirements of the New Jersey Act, Marina could be subject to fines or its license could be suspended or revoked. If Marina's license is suspended or revoked, the New Jersey Commission could appoint a Conservator to operate and dispose of the casino hotel facilities of Marina. A Conservator would be vested with title to the assets of Marina, subject to valid liens, claims and encumbrances. The Conservator would be required to act under the general supervision of the New Jersey Commission and would be charged with the duty of conserving, preserving and, if permitted, continuing the operation of the casino hotel. During the period of any such conservatorship, the Conservator may not make any distributions of net earnings without the prior approval of the New Jersey Commission. The New Jersey Commission may direct that all or part of such net earnings be paid to the Casino Revenue Fund, provided, however, that a suspended or former licensee is entitled to a fair rate of return.

The New Jersey Commission granted Marina a plenary casino license in connection with Harrah's Atlantic City in November 1981, and it has been renewed since then. In May 1992, the New Jersey Commission renewed the license for a two-year period and also found Promus, Embassy, Harrah's and Casino Holding Company to be qualified as holding companies of Marina. A license renewal hearing is scheduled for April 1994.

GAMING-ILLINOIS

The ownership and operation of a gaming riverboat in Illinois is subject to extensive regulation under Illinois gaming laws and regulations. A five-member Illinois Gaming Board is charged with such regulatory authority, including the issuance of riverboat gaming licenses not to exceed ten in number. The granting of a gaming license involves a preliminary approval procedure in which the Illinois Gaming Board issues a preliminary finding of suitability to a license applicant and effectively reserves a gaming license for such applicant. The Board has issued all ten licenses or preliminary findings of suitability. The Company's Joliet venture was issued a preliminary finding of suitability in 1992 and a license in 1993.

To obtain a gaming license (and a preliminary finding of suitability), applicants must submit comprehensive application forms, be fingerprinted and undergo an extensive background investigation by the Illinois Gaming Board.

Each license granted entitles a licensee to own and operate up to two riverboats (with a combined maximum of 1,200 gaming positions) and equipment thereon from a specific location. The duration of the license initially runs for a period of three years (with a fee of $25,000 for the first year and $5,000 for the following two years). Thereafter, the license is subject to renewal on an annual basis upon payments of a fee of $5,000 and a determination by the Illinois Gaming Board that the licensee continues to be eligible for an owner's license pursuant to the Illinois legislation and the Illinois Gaming Board's rules. A licensed owner is required to apply to the Illinois Gaming Board for, and, if approved therefor, will receive, all licenses from the Illinois Gaming Board necessary for the operation of a riverboat including a liquor license and a license to prepare and serve food. All use, occupancy and excise taxes which apply to food and beverages and all taxes imposed on the sale or use of tangible property apply to sales aboard riverboats.

An applicant is ineligible to receive an owner's license if the applicant, any of its officers, directors or managerial employees or any person who participates in the management or operation of gaming operations: (i) has been convicted of a felony; (ii) has been convicted of any violation under Article 28 of the Illinois Criminal Code or any similar statutes in any other jurisdiction; (iii) has submitted an application which contains false information; or (iv) is a member of the Illinois Gaming Board. In addition, an applicant is ineligible to receive an owners' license if the applicant owns more than a 10% ownership interest in an entity holding another Illinois owner's license, or if a license of the applicant

issued under the Illinois legislation or a license to own or operate gaming facilities in any other jurisdiction has been revoked.

In determining whether to grant a license, the Illinois Gaming Board considers: (i) the character, reputation, experience and financial integrity of the applicants; (ii) the type of facilities (including riverboat and docking facilities) proposed by the applicant; (iii) the highest prospective total revenue to be derived by the state from the conduct of riverboat gaming; (iv) affirmative action plans of the applicant, including minority training and employment; and (v) the financial ability of the applicant to purchase and maintain adequate liability and casualty insurance. Municipal (or county, if an operation is located outside of a municipality) approval of a proposed applicant is required, and all documents, resolutions, and letters of support must be submitted with the initial application.

A holder of a license shall be subject to the imposition of fines, suspension or revocation of its license for any act that is injurious to the public health, safety, morals, good order, and general welfare of the people of the state of Illinois, or that would discredit or tend to discredit the Illinois gaming industry or the state of Illinois, including without limitation: (i) failing to comply with or make provision for compliance with the legislation, the rules promulgated thereunder or any federal, state or local law or regulation; (ii) failing to comply with any rule, order or ruling of the Illinois Gaming Board or its agents pertaining to gaming; (iii) receiving goods or services from a person or business entity who does not hold a supplier's license but who is required to hold such license by the rules; (iv) being suspended or ruled ineligible or having a license revoked or suspended in any state or gaming jurisdiction; (v) associating with, either socially or in business affairs, or employing persons of notorious or unsavory reputation or who have extensive police records, or who have failed to cooperate with any official constituted investigatory or administrative body and would adversely affect public confidence and trust in gaming; and (vi) employing in any Illinois riverboat's gaming operation any person known to have been found guilty of cheating or using any improper device in connection with any game.

An ownership interest in a license or in a business entity, other than a publicly held business entity which holds an owner's license, may not be transferred without leave of the Illinois Gaming Board. In addition, an ownership interest in a license or in a business entity, other than a publicly held business entity, which holds either directly or indirectly an owner's license, may not be pledged as collateral to other than a regulated bank or saving and loan association without leave of the Illinois Gaming Board.

A person employed at a riverboat gaming operation must hold an occupational license which permits the holder to perform only activities included within such holder's level of occupation license or any lower level of occupation license. In addition, the Illinois Gaming Board will issue suppliers licenses which authorize the supplier licensee to sell or lease gaming equipment and supplies to any licensee involved in the ownership and management of gaming operations.

Riverboat cruises are limited to a duration of four hours, and no gaming may be conducted while the boat is docked, with the exceptions: (i) of 30-minute time periods at the beginning of and at the end of a cruise while the passengers are embarking and debarking (total gaming time is limited to four hours, however, including the pre-and post-docking periods); and (ii) when weather or mechanical problems prevent the boat from cruising. Minimum and maximum wagers on games are set by the licensee and wagering may not be conducted with money or other negotiable currency. No person under the age of 21 is permitted to wager, and wagers may only be taken from a person present on a licensed riverboat. With respect to electronic gaming devices, the payout percentage may not be less than 80% nor more than 100%.

The legislation imposes a 20% wagering tax on adjusted receipts from gambling games. The tax imposed is to be paid by the licensed owner to the Illinois Gaming Board on the day after the day when the wagers were made. Of the proceeds of that tax, 25% goes to the local government where the home dock is located, a small portion goes to the Illinois Gaming Board for administration and enforcement expenses, and the remainder goes to the state education assistance fund.

The legislation also requires that licensees pay a $2.00 admission tax for each person admitted to a gaming cruise. Of this admission tax, the host municipality or county receives $1.00. The licensed owner is required to maintain public books and records clearly showing amounts received from admission fees, the total amount of gross receipts and the total amount of adjusted gross receipts.

GAMING-MISSISSIPPI

The ownership and operation of a gaming business in the State of Mississippi is subject to extensive laws and regulations, including the Mississippi Gaming Control Act (the "Mississippi Act") and the regulations (the "Mississippi Regulations") promulgated thereunder by the Mississippi Gaming Commission (the "Mississippi Commission"), which is empowered to oversee and enforce the Mississippi Act. Gaming in Mississippi can be legally conducted only on vessels of a certain minimum size in navigable waters within any county bordering the Mississippi River or in waters of the State of Mississippi which lie adjacent and to the south (principally in the Gulf of Mexico) of the Counties of Hancock, Harrison and Jackson, provided that the county in question has not voted by referendum not to permit gaming in that county. The voters in Jackson County, the southeasternmost county of Mississippi, have voted not to permit gaming in that county. However, gaming could be approved in Jackson County in any subsequently held referendum. The underlying policy of the Mississippi Act is to ensure that gaming operations in Mississippi are conducted: (i) honestly and competitively; (ii) free of criminal and corruptive influences; and (iii) in a manner which protects the rights of the creditors of gaming operations.

The Mississippi Act requires that a person (including any corporation or other entity) be licensed to conduct gaming activities in the State of Mississippi. A license will be issued only for a specified location which has been approved in advance as a gaming site by the Mississippi Commission. In addition, a parent company of a company holding a license must register under the Mississippi Act.

The Mississippi Act also requires that each officer or director of a gaming licensee, or other person who exercises a material degree of control over the licensee, either directly or indirectly, be found suitable by the Mississippi Commission. In addition, any employee of a licensee who is directly involved in gaming must obtain a work permit from the Mississippi Commission. The Mississippi Commission will not issue a license or make a finding of suitability unless it is satisfied, after an investigation paid for by the applicant, that the persons associated with the gaming licensee or applicant for a license are of good character, honesty and integrity, with no relevant or material criminal record. In addition, the Mississippi Commission will not issue a license unless it is satisfied that the licensee is adequately financed or has a reasonable plan to finance its proposed operations from acceptable sources, and that persons associated with the applicant have sufficient business probity, competence and experience to engage in the proposed gaming enterprise. The Mississippi Commission may refuse to issue a work permit to a gaming employee: (i) if the employee has committed larceny, embezzlement or any crime of moral turpitude, or has knowingly violated the Mississippi Act or Mississippi Regulations; or (ii) for any other reasonable cause.

There can be no assurance that such persons will be found suitable by the Mississippi Commission. An application for licensing, finding of suitability or registration may be denied for any cause deemed reasonable by the issuing agency. Changes in licensed positions must be reported to the issuing agency. In addition to its authority to deny an application for a license, finding of suitability or registration, the Mississippi Commission has jurisdiction to disapprove a change in corporate position. If the Mississippi Commission were to find a director, officer or key employee unsuitable for licensing or unsuitable to continue having a relationship with the licensee, such entity would be required to suspend, dismiss and sever all relationships with such person. The licensee would have similar obligations with regard to any person who refuses to file appropriate applications. Each gaming employee must obtain a work permit which may be revoked upon the occurrence of certain specified events.

Any individual who is found to have a material relationship to, or material involvement with, Promus may be required to submit to an investigation in order to be found suitable or be licensed as a business associate of any subsidiary holding a gaming license. Key employees, controlling persons or others who exercise significant influence upon the management or affairs of Promus may be deemed to have such a relationship or involvement.

The Mississippi Commission has the power to deny, limit, condition, revoke and suspend any license, finding of suitability or registration, or to fine any person, as it deems reasonable and in the public interest, subject to an opportunity for a hearing. The Mississippi Commission may fine any licensee or person who was found suitable up to $100,000 for each violation of the Mississippi Act or the Mississippi Regulations which is the subject of an initial complaint, and up to $250,000 for each such violation which is the subject of any subsequent complaint. The Mississippi Act provides for judicial review of any final decision of the Mississippi Commission by petition to a Mississippi Circuit Court, but the filing of such petition does not necessarily stay any action taken by the Mississippi Commission pending a decision by the Circuit Court.

Each gaming licensee must pay a license fee to the State of Mississippi based upon "gaming receipts" (generally defined as gross receipts less payouts to customers as winnings). The license fee equals four percent of gaming receipts of $50,000 or less per month, six percent of gaming receipts over $50,000 and up to $134,000 per month, and 8 percent of gaming receipts over $134,000. The foregoing license fees are allowed as a credit against Mississippi State income tax liability for the year paid. A gaming operator may also be subject to local, municipal or county taxes equal to one-tenth of the license fee due to the State of Mississippi, as set forth above (.4 percent, .6 percent and .8 percent, respectively). An additional license fee, based upon the number of games conducted or planned to be conducted on the gaming premises, is payable to the State of Mississippi annually in advance. Based upon Promus' activities in Tunica and Vicksburg, this additional license fee is expected to be approximately $81,200, plus $100 for each game in excess of 35 games at each site. In addition to the state and local fees imposed under the Mississippi Act, taxes and fees also may be assessed by municipalities and counties in amounts varying from jurisdiction to jurisdiction. Warren County and the City of Vicksburg have the authority to impose taxes on gaming receipts in an amount up to 3.2 percent in the aggregate.

The Company also is subject to certain audit and record-keeping requirements, primarily intended to ensure compliance with the Mississippi Act, including compliance with the provisions relating to the payment of license fees.

Under the Mississippi Regulations, a person is prohibited from acquiring control of Promus without prior approval of the Mississippi Commission. Promus also is prohibited from consummating a plan of recapitalization proposed by management in opposition to an attempted acquisition of control of Promus and which involves the issuance of a significant dividend to Common Stock holders, where such dividend is financed by borrowings from financial institutions or the issuance of debt securities. In addition, Promus is prohibited from repurchasing any of its voting securities under circumstances (subject to certain exemptions) where the repurchase involves more than one percent of Promus' outstanding Common Stock at a price in excess of 110 percent of the then-current market value of Promus' Common Stock from a person who owns and has for less than one year owned more than three percent of Promus' outstanding Common Stock, unless the repurchase has been approved by a majority of Promus' shareholders voting on the issue (excluding the person from whom the repurchase is being made) or the offer is made to all other shareholders of Promus.

Under the Mississippi Regulations, a gaming license may not be held by a publicly held corporation, although an affiliated corporation, such as Promus, may be publicly held so long as Promus registers with and gets the approval of the Mississippi Commission. Promus must obtain prior approval from the Mississippi Commission for any subsequent public offering of the securities of Promus if any part of the proceeds from that offering are intended to be used to pay for or reduce debt used to pay for the construction, acquisition or operation of any gaming facility in Mississippi. In addition, in order to register with the Mississippi Commission as a publicly held holding corporation, Promus must provide further documentation which is satisfactory to the Mississippi Commission, which includes all documents filed with the Securities and Exchange Commission.

Any person who, directly or indirectly, or in association with others, acquires beneficial ownership of more than 5% of the Common Stock of Promus must notify the Mississippi Commission of this acquisition. Regardless of the amount of securities owned, any person who has any beneficial ownership in the Common Stock of Promus may be required to be found suitable if the Mississippi Commission has reason to believe that such ownership would be inconsistent with the declared policies of the State of Mississippi. Any person who is required to be found suitable must apply for a finding of suitability from the Mississippi Commission within 30 days after being requested to do so, and must deposit with the State Tax Commission a sum of money which is adequate to pay the anticipated investigatory costs associated with such finding. Any person who is found not to be suitable by the Mississippi Commission shall not be permitted to have any direct or indirect ownership in Promus' Common Stock. Any person who is required to apply for a finding of suitability and fails to do so, or who fails to dispose of his or her interest in Promus' Common Stock if found unsuitable, is guilty of a misdemeanor. If a finding of suitability with respect to any person is not applied for where required, or if it is denied or revoked by the Mississippi Commission, Promus is not permitted to pay such person for services rendered, or to employ or enter into any contract with such person.

Promus will be required to maintain current stock ledgers in the State of Mississippi which may be examined by a representative of the Mississippi Commission at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Mississippi Commission. A failure to make such disclosure may be grounds for finding the record holder unsuitable. Promus also is required to render maximum assistance in determining the identity of the beneficial owner.

Because Promus will be licensed to conduct gaming in the State of Mississippi, neither Promus nor any subsidiary may engage in gaming activities in Mississippi while also conducting gaming operations outside of Mississippi without approval of the Mississippi Commission. The Mississippi Commission has approved the conduct of gaming in all jurisdictions in which Promus had ongoing operations or approved projects as of November 1993, but will need to approve any future gaming operations outside of Mississippi. There can be no assurance that such approvals can be obtained. The failure to obtain such approvals could have a materially adverse effect on Promus.

GAMING-COLORADO

The ownership and operation of limited gaming facilities in the State of Colorado are subject to extensive state and local regulation. In Colorado, the two casinos managed and partially owned by subsidiaries of Promus (Harrah's Central City and Harrah's Black Hawk) are subject to licensing by and regulatory control of both the State of Colorado Limited Gaming Control Commission and the State of Colorado Division of Gaming (hereinafter collectively referred to as the "Colorado Gaming Authorities"). As Promus is a public company, the casinos must comply with specific rules relating to public companies involved in limited gaming. The Colorado Gaming Authorities examine and decide upon the suitability of persons owning any interest in a limited gaming establishment, as well as those persons associated with such owners. Persons employed in connection with gaming operations must also be licensed as either "key employees" or "support employees." The State of Colorado Limited Gaming Control Commission also has the power to levy substantial taxes with respect to gaming revenues, and with respect to gaming devices. The licenses held by Harrah's Central City and Harrah's Black Hawk are not transferable, and must be renewed on an annual basis.

A Colorado constitutional amendment passed in November 1990, legalized limited stakes gaming ($5.00 or less per bet) in three Colorado cities: Central City, Black Hawk, and Cripple Creek. The constitutional amendment restricts limited gaming to the commercially zoned districts of each respective city. At each limited gaming location, no more than thirty-five percent (35%) of the total square footage of a building, and no more than fifty percent (50%) of the square footage of any single floor may be used for limited gaming purposes. The Colorado Gaming Authorities have broad power to insure compliance with the statute and regulations currently in force in the State of Colorado. The Colorado

Gaming Authorities may inspect, without notice, any premises where gaming is being conducted, and may seize, impound, or remove any gaming device. The statute and regulations require licensees to maintain certain minimum operating, security and payoff procedures, as well as books and records that are audited on an annual basis.

There are specific reporting procedures and approval requirements for transfers of interests and other involvement with publicly traded corporations directly or indirectly involved in limited gaming in the State of Colorado. In addition to the reporting requirements, certain provisions must be included in the Articles of Organization or other similar chartering documents of any entity licensed as either an operator or retailer in the State of Colorado. The State of Colorado Limited Gaming Control Commission may require that any individual who has a material relationship to or a material involvement with a licensee, or otherwise, must apply for a finding of suitability by the Commission, or apply for a key employee license. If an individual or person has been deemed to be unsuitable by the State of Colorado Limited Gaming Control Commission, the Commission may require a licensee to pursue all lawful efforts to require that the unsuitable person relinquish all voting securities in addition to certain other powers granted to the Commission.

The Colorado Gaming Authorities have full and complete access to any records of a licensee, as well as individuals associated with licensees, investigate the background and conduct of licensees and their employees, and are empowered to bring disciplinary actions against licensees. The Colorado Gaming Authorities have the power to investigate the background of creditors of licensees as well. No interest in a licensee, once approved by the Commission, may be alienated in any fashion without the prior approval of the State of Colorado Limited Gaming Control Commission. Any person or entity may not have an interest in more than three retail gaming licenses.

All persons, places or practices connected with limited gaming must be "suitable" as determined by the Colorado Gaming Authorities. In this regard, the burden is always on any applicant to prove by clear and convincing evidence that the applicant is qualified for the licenses applied for. Thus, licensees must be able to demonstrate that any equity holder, or any person providing financing in connection with the establishment or operation of a licensee, must be: (i) of good moral character; (ii) a person whose prior activities, criminal record, reputation, habits and associations do not pose a threat to the public interests of the State of Colorado; (iii) a person who has not served a sentence upon a conviction of a felony or been under the supervision of a probation department within ten years prior to the date of application; (iv) and, a person who has not seriously or repeatedly violated the provisions of the "Limited Gaming Act of 1991" in Colorado. At the request of the Colorado Gaming Authorities, any person connected with limited gaming must disclose personal background and financial information, including criminal records, and any and all other information requested by the Colorado Gaming Authorities.

The constitutional amendment gave the State of Colorado Limited Gaming Control Commission the power to tax up to forty percent (40%) of the adjusted gross proceeds received by a licensee from limited gaming. Effective October 1, 1993, the tax schedule for the gaming year (October 1, 1993 to September 30, 1994) is as follows:

ADJUSTED GROSS PROCEEDS	PERCENTAGE TAX
Up to $1,000,000	2%
$1,000,001 to $2,000,000	8%
$2,000,001 to $3,000,000	15%
$3,000,001 and over	18%

For the same gaming year, the State gaming device fee is One Hundred Dollars ($100) per gaming device for the year. In addition, local device fees are assessed by both Central City and Black Hawk. In Central City the current device fee is Five Hundred Eighty-Two Dollars and Fifty Cents ($582.50) per device per six months. In Black Hawk Two Hundred Dollars ($200) per device per quarter is the current device fee.

Changes in this regulatory scheme could adversely affect the operation of the Colorado properties.

GAMING-OTHER

The Company has been granted a gaming license by the State of Louisiana in connection with its riverboat casino project which is under development in Shreveport. The Company will be subject to the regulations of such gaming authority which will be extensive.

The Company has applied for a gaming license in Missouri and is negotiating a gaming operating contract in New Orleans, Louisiana in connection with its projects that are currently under development. In the event the Company's applications are approved, the Company will be subject to extensive regulations regarding these projects.

The Company and its joint venture partner have been granted a gaming license in connection with the development of a casino entertainment facility in Auckland, New Zealand and will also be subject to extensive regulations in that jurisdiction.

HOTEL LICENSING

A number of states regulate the licensing of hotels and restaurants and the granting of liquor licenses by requiring registration, disclosure statements and compliance with specific standards of conduct. In addition, various federal and state regulations mandate certain disclosures and other practices with respect to the sales of license agreements and the licensor/licensee relationship. The Company's operations have not been materially affected by such legislation and regulations, but the Company cannot predict the effect of future legislation.

FUEL SHORTAGES AND COSTS; WEATHER

Although gasoline supplies are now in relative abundance, gasoline shortages and price increases may have adverse effects on the hotel business of Promus. The business of Harrah's in Nevada and Atlantic City is also sensitive to the cost and availability of gasoline. Access to the Lake Tahoe and Reno areas of northern Nevada and Atlantic City, New Jersey, may be restricted from time to time during the winter months by adverse weather conditions which can cause road closures. Such closures have at times adversely affected operating results at Harrah's Lake Tahoe, Harrah's Reno, Bill's Lake Tahoe Casino and Harrah's Atlantic City.

EMPLOYEE RELATIONS

Promus, through its subsidiaries, has approximately 25,300 employees. Labor relations with employees are good.

Promus' subsidiaries have collective bargaining agreements covering approximately 3,000 employees. These agreements relate to certain casino, hotel and restaurant employees at Harrah's Atlantic City and Harrah's Las Vegas. Approximately 2,500 of these 3,000 employees are covered by collective bargaining agreements expiring in 1994. Negotiations for successor agreements will begin later this year prior to the expiration of the current contracts.

ITEM 3. 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. All federal income taxes and interest assessed by the Internal Revenue Service ("IRS") for the 1978 through 1984 tax years were paid during 1992. The federal income taxes and interest thereon associated with the agreed issues from the IRS audit of the 1985 and 1986 tax years were paid in 1991. Negotiations with the IRS to resolve disputed issues for the 1985 and 1986 tax years were concluded and settlement reached during fourth quarter 1993. Final payment of the federal income taxes and related interest due under the settlement is expected to be 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 subsequent to year-end. The total liability of approximately $23.7 million for the federal income tax and interest payments to be made, as discussed above, was included in current liabilities on December 31, 1993. A protest of all unagreed issues for the 1987 through Spin-off periods was filed with the IRS during the third quarter of 1993 and negotiations to resolve disputed issues are currently expected to begin during the second quarter of 1994. Final resolution of the disputed issues is not expected to have a materially adverse effect on Promus' consolidated financial position or its results of operations.

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

Not Applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

NAME AND AGE	POSITIONS AND OFFICES HELD AND PRINCIPAL OCCUPATIONS OR EMPLOYMENT DURING PAST 5 YEARS
Michael D. Rose (52).....	Chairman of the Board and Chief Executive Officer of Promus since November 1989. President of Promus (1989-1991). Chief Executive Officer (1981-1990), Chairman of the Board (1984-1990) and President (1988-1990) of Holiday. Effective April 29, 1994, Mr. Philip G. Satre will become Chief Executive Officer of Promus. Mr. Rose will continue as Chairman of the Board. Mr. Rose also is a director of Ashland Oil, Inc., First Tennessee National Corporation and General Mills, Inc.
Philip G. Satre (44).....	Director, President and Chief Operating Officer of Promus since April 1991. Director and Senior Vice President of Promus (1989-1991). President (since 1984) and Chief Executive Officer (1984-1991) of Harrah's and Senior Vice President (1987-1990) and a Director (1988-1990) of Holiday. Effective April 29, 1994, Mr. Satre will become Chief Executive Officer of Promus in addition to his position as President. He also is a director of Goody's Family Clothing, Inc.
John M. Boushy (39).....	Senior Vice President, Information Technology and Corporate Marketing of Promus since June 1993. Vice President, Strategic Marketing of Harrah's April 1989 to June 1993.
Charles A. Ledsinger, Jr. (44).....	Senior Vice President and Chief Financial Officer of Promus since August 1990. Treasurer of Promus from November 1989 to February 1991. Vice President of Promus from November 1989 to August 1990. Vice President, Project Finance (1986-1990) of Holiday. He also is a director of Perkins Management Company, Inc., a privately-held general partner of Perkins Family Restaurants, L.P., a publicly-traded limited partnership.
Ben C. Peternell (48).....	Senior Vice President, Corporate Human Resources and Communications of Promus since November 1989. Senior Vice President, Corporate Human Resources (1985-1990) of Holiday.
Colin V. Reed (46).....	Senior Vice President, Corporate Development of Promus since May 1992. Vice President, Corporate Development of Promus from November 1989 to May 1992. Vice President (1988-1990) of Holiday. He also is a director of Sodak Gaming, Inc.
E. O. Robinson, Jr. (54).....	Senior Vice President and General Counsel of Promus since April 1993 and Secretary of Promus since November 1989. Vice President and Associate General Counsel of Promus from November 1989 to April 1993. Vice President (1988-1990) of Holiday.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

Information as to the principal markets in which the Company's Common Stock is traded and the high and low prices of such stock for the last two years is set forth on the inside back cover of Book Two of the Annual Report, which information is incorporated herein by reference. On February 26, 1993, the Company's Board of Directors authorized a two-for-one stock split (the "First Stock Split"), in the form of a stock dividend, which was effected by the distribution on March 29, 1993 of one additional share of Common Stock for each share of Common Stock owned by stockholders of record on March 8, 1993. On October 29, 1993, the Company's Board of Directors authorized a three-for-two stock split (the "Second Stock Split"), in the form of a stock dividend, which was effected by the distribution on November 29, 1993 of one additional share Common Stock for each two shares of Common Stock owned by stockholders of record on November 8, 1993. All references herein to dividends paid, numbers of common shares, per share prices and earnings per share amounts have been restated to give retroactive effect to the First Stock Split and the Second Stock Split.

The approximate number of holders of record of the Company's Common Stock as of March 4, 1994, is as follows:

TITLE OF CLASS	APPROXIMATE NUMBER OF HOLDERS OF RECORD
Common Stock, Par Value $1.50 per share.....	16,755

The Company paid a special, one-time $10 (retroactively adjusted for the First Stock Split and the Second Stock Split) per share dividend to its common stockholders on February 22, 1990. The Company does not presently intend to declare any other cash dividends. The terms of the Company's Bank Facility substantially limit the Company's ability to pay cash dividends on Common Stock and limitations are also contained in agreements covering other debt of the Company. See "Management's Discussion and Analysis--Intercompany Dividend Restriction" on page 9 of Book Two of the Annual Report and Note 6 to the financial statements on pages 16 and 17 of Book Two of the Annual Report, which pages are incorporated herein by reference. When permitted under the terms of the Bank Facility and the other debt, the declaration and payment of dividends is at the discretion of the Board of Directors of the Company. The Board of Directors of the Company intends to reevaluate its dividend policy in the future in light of the Company's results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors. There can be no assurance that any cash dividends on Common Stock will be paid in the future.

ITEM 6. SELECTED FINANCIAL DATA.

See the information for the years 1989 through 1993 set forth under "Selected Financial Data" in Book Two of the Annual Report on page 24, which page is incorporated herein by reference.

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

See the information set forth in Book Two of the Annual Report on pages 2 through 9, which pages are incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See the information set forth in Book Two of the Annual Report on pages 10 through 24, which pages are incorporated herein by reference.

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

Not Applicable

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS.
DIRECTORS

See the information regarding the names, ages, positions and prior business experience of the directors of the Company set forth on pages 4 through 6 of the Proxy Statement, which pages are incorporated herein by reference.

EXECUTIVE OFFICERS

See "Executive Officers of the Registrant" on page 31 in Part I hereof.

ITEM 11. EXECUTIVE COMPENSATION.

See the information set forth in the Proxy Statement on pages 6 and 7 thereof entitled "Compensation of Directors" and the information on pages 13 through 23 thereof. The information on pages 6 and 7 of the Proxy Statement entitled "Compensation of Directors" and the information on pages 18 through 23 of the Proxy Statement entitled "Summary Compensation Table," "Option Grants in the Last Fiscal Year," "Aggregated Option Exercises in 1993 and December 31, 1993, Option Values," and "Certain Employment Arrangements" are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

See the information set forth in the Proxy Statement on page 3 thereof entitled "Share Ownership of Directors and Executive Officers" and on pages 24 and 25 thereof entitled "Certain Stockholders," which information on said pages is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

See the information set forth in the Proxy Statement entitled "Certain Transactions" on pages 23 and 24 thereof, which information is incorporated herein by reference.

PART IV

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

(a) 1. Financial statements (including related notes to consolidated financial statements)* filed as part of this report are listed below:

Report of Independent Public Accountants

Consolidated Balance Sheets as of December 31, 1993 and December 31, 1992.

Consolidated Statements of Income for the Fiscal Years Ended December 31, 1993, December 31, 1992, and January 3, 1992.

Consolidated Statements of Stockholders' Equity for the Fiscal Years Ended December 31, 1993, December 31, 1992, and January 3, 1992.

Consolidated Statements of Cash Flows for the Fiscal Years Ended December 31, 1993, December 31, 1992, and January 3, 1992.

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* Incorporated by reference from pages 10 through 23 of Book Two of the Annual Report.

2. Schedules for the fiscal years ended December 31, 1993, December 31, 1992, and January 3, 1992, are as follows:

NO.	
II	-Consolidated amounts receivable from related parties and underwriters, promoters, and employees other than related parties
III	-Condensed financial information of registrant
V	-Consolidated property and equipment
VI	-Consolidated accumulated depreciation and amortization of property and equipment
VIII	-Consolidated valuation and qualifying accounts
X	-Consolidated supplementary income statement information

Schedules I, IV, VII, IX, XI, XII, XIII and XIV are not applicable and have therefore been omitted.

3. Exhibits (footnotes appear on pages 38 and 39):

NO.	
3(1)	-Certificate of Incorporation of The Promus Companies Incorporated. (1)
3(2)	-Bylaws of The Promus Companies Incorporated, as amended. (16)
4(1)	-Rights Agreement dated as of February 7, 1990, between The Promus Companies Incorporated and The Bank of New York as Rights Agent. (12)
4(2)	-Offering Circular dated February 9, 1988, for $200,000,000 Holiday Inns, Inc. 8 5/8% Notes due 1993 and $200,000,000 9% Notes due 1995; Indenture dated as of February 15, 1988, among Holiday Inns, Inc., Holiday Corporation and Sumitomo Bank of New York Trust Company, Trustee; Irrevocable Letter of Credit dated February 25, 1988, by The Sumitomo Bank, Limited, New York Branch. (3)
4(3)	-Indenture Supplement No. 1 dated as of February 7, 1990, under Indenture dated as of February 15, 1988, among Holiday Inns, Inc., Holiday Corporation and Sumitomo Bank of New York Trust Company, Trustee; Amendment No. 1 dated February 7, 1990, to Irrevocable Letter of Credit dated February 25, 1988, by The Sumitomo Bank, Limited, New York Branch. (12)
4(4)	-Indenture dated as of March 30, 1987, between Holiday Inns, Inc., Issuer, Holiday Corporation, Guarantor, and Commerce Union Bank (now Sovran Bank/Central South), Trustee; Prospectus dated March 5, 1987, for $900,000,000 Holiday Inns, Inc. 10 1/2% Senior Notes due 1994. (4)
4(5)	-First Supplemental Indenture dated as of January 12, 1990, with respect to the 10 1/2% Senior Notes due 1994, among Sovran Bank/Central South, as trustee, Holiday Corporation, as guarantor, The Promus Companies Incorporated and Holiday Inns, Inc., as issuer; Second Supplemental Indenture dated as of February 7, 1990, with respect to the 10 1/2% Senior Notes due 1994, among Holiday Inns, Inc., Holiday Corporation, Embassy Suites, Inc., The Promus Companies Incorporated and Sovran Bank/Central South; Form of Note for 10 1/2% Senior Notes due 1994. (12)
4(6)	-Indenture dated as of March 30, 1987, between Holiday Inns, Inc., Issuer, Holiday Corporation, Guarantor, and LaSalle National Bank, Trustee; Prospectus dated March 5, 1987, for $500,000,000 Holiday Inns, Inc. 11% Subordinated Debentures due 1999. (5)
4(7)	-First Supplemental Indenture dated as of January 8, 1988, under Indenture dated as of March 30, 1987, among Holiday Inns, Inc., Holiday Corporation and LaSalle National Bank. (3)
4(8)	-Second Supplemental Indenture dated as of February 23, 1988, under Indenture dated as of March 30, 1987, among Holiday Inns, Inc., Holiday Corporation, Guarantor, and LaSalle National Bank. (3)

NO.	
4(9)	-Third Supplemental Indenture dated as of January 17, 1990, with respect to the 11% Subordinated Debentures due 1999, among LaSalle National Bank, as trustee, Holiday Corporation, as guarantor, The Promus Companies Incorporated and Holiday Inns, Inc., as issuer; Fourth Supplemental Indenture dated as of February 7, 1990, with respect to the 11% Subordinated Debentures due 1999, among Holiday Inns, Inc., Holiday Corporation, Embassy Suites, Inc., The Promus Companies Incorporated and LaSalle National Bank; Form of Debenture for 11% Subordinated Debentures due 1999. (12)
4(10)	-Letter to Bank of New York dated March 18, 1993 constituting Certificate under Section 12 of the Rights Agreement dated as of February 7, 1990. (11)
4(11)	-Interest Swap Agreement between Bank of America National Trust and Savings Association and Embassy Suites, Inc. dated May 14, 1993. (6)
4(12)	-Interest Swap Agreement between NationsBank of North Carolina, N.A. and Embassy Suites, Inc. dated May 18, 1993. (6)
4(13)	-First Supplemental Indenture dated as of July 15, 1987, among Irving Trust Company, as resigning trustee with respect to the 1999 Notes, Indiana National Bank as successor trustee with respect to the 1999 Notes and Holiday Inns, Inc.; Second Supplemental Indenture dated as of January 8, 1988, under Indenture dated as of January 15, 1984, between Holiday Inns, Inc., and Irving Trust Company, as trustee with respect to 8 3/8% Notes due 1996; Third Supplemental Indenture dated as of January 8, 1988, under Indenture dated as of January 15, 1984, among Holiday Inns, Inc., Irving Trust Company, as resigning trustee with respect to the 8 3/8% Notes due 1996, and LaSalle National Bank as successor trustee with respect to the 8 3/8% Notes due 1996; Fourth Supplemental Indenture dated as of February 23, 1988, under Indenture dated as of January 15, 1984, between Holiday Inns, Inc. and LaSalle National Bank, as trustee with respect to the 8 3/8% Notes due 1996. (3)
4(14)	-Fifth Supplemental Indenture dated as of January 23, 1990, with respect to the 8 3/8% Notes due 1996, among LaSalle National Bank, as trustee, The Promus Companies Incorporated and Holiday Inns, Inc., as issuer; Sixth Supplemental Indenture dated as of February 7, 1990, with respect to the 8 3/8% Notes due 1996, among Holiday Inns, Inc., Embassy Suites, Inc., The Promus Companies Incorporated and LaSalle National Bank; Form of Note for 8 3/8% Notes due 1996. (12)
4(15)	-Indenture dated as of April 1, 1992, with respect to the 10 7/8% Senior Subordinated Notes due 2002, among The Bank of New York, as trustee, The Promus Companies Incorporated, as guarantor, and Embassy Suites, Inc., as issuer; Form of Note for 10 7/8% Senior Subordinated Notes due 2002. (18)
4(16)	-Indenture dated as of August 1, 1993, with respect to the 8 3/4% Senior Subordinated Notes due 2000, among The Bank of New York, as trustee, The Promus Companies Incorporated, as guarantor, and Embassy Suites, Inc., as issuer; Form of Note for 8 3/4% Senior Subordinated Notes due 2000. (6)
4(17)	-Interest Swap Agreement between The Sumitomo Bank, Limited and Embassy Suites, Inc. dated October 22, 1992; Interest Swap Agreement between The Bank of Nova Scotia and Embassy Suites, Inc. dated October 22, 1992; Interest Swap Agreement between The Nippon Credit Bank and Embassy Suites, Inc. dated October 22, 1992; (18)
10(1)	-Amended and Restated Agreement and Plan of Merger among Holiday Corporation, Holiday Inns, Inc., The Promus Companies Incorporated, Bass plc, Bass (U.S.A.) Hotels, Incorporated (a Delaware corporation) and Bass (U.S.A.) Hotels, Incorporated (a Tennessee corporation), dated as of August 24, 1989. (1)
10(2)	-First Amendment to the Amended and Restated Agreement and Plan of Merger among Holiday Corporation, Holiday Inns, Inc., The Promus Companies Incorporated, Bass plc and Bass (U.S.A.) Hotels, Incorporated, dated as of February 7, 1990. (2)
10(3)	-Tax Sharing Agreement dated as of February 7, 1990, among Holiday Corporation, Holiday Inns, Inc., The Promus Companies Incorporated, Bass plc, Bass European Holdings, N.V., Bass (U.S.A.), Inc. and Bass (U.S.A.) Hotels, Incorporated. (12)
+10(4)	-Form of Indemnification Agreement entered into by The Promus Companies Incorporated and each of its directors and executive officers. (1)
+10(5)	-The Promus Companies Incorporated 1990 Stock Option Plan. (12)

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+ Management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 14(a)(3) of Form 10-K.

NO.

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+10(6) -The Promus Companies Incorporated 1990 Restricted Stock Plan. (12)

+10(7) -The Promus Companies Incorporated Savings and Retirement Plan Trust Agreement. (12)

+10(8) -Amendment to The Promus Companies Incorporated Savings and Retirement Plan dated May 1, 1991. (15)

+10(9) -Financial Counseling Plan of The Promus Companies Incorporated as amended February 25, 1993. (11)

+10(10) -Form of Severance Agreement dated July 30, 1993, entered into with E. O. Robinson, Jr. and John M. Boushy. (22)

10(11) -Credit Agreement, dated as of July 22, 1993, among Embassy Suites, Inc., The Promus Companies Incorporated, the Banks parties thereto, Marina Associates and Bankers Trust Company, as Administrative Agent. (19)

10(12) -Amended and Restated Reimbursement Agreement, dated as of July 22, 1993, among Embassy Suites, Inc., The Promus Companies Incorporated, Marina Associates and The Sumitomo Bank, Limited, New York Branch. (19)

10(13) -Master Collateral Agreement, dated as of July 22, 1993, among The Promus Companies Incorporated, Embassy Suites, Inc., the other Collateral Grantors parties thereto, Bankers Trust Company, as Administrative Agent, and Bankers Trust Company as Collateral Agent. (19)

10(14) -Security Agreement dated as of July 22, 1993, among Embassy Suites, Inc., the Collateral Grantors parties thereto and Bankers Trust Company, as Collateral Agent. (19)

10(15) -Deed of Trust, Leasehold Deed of Trust, Assignment, Assignment of Leases and Rents, Security Agreement and Financing Statement, dated as of July 22, 1993, from Embassy Suites, Inc., Harrah's Laughlin, Inc., and Harrah's Reno Holding Company, Inc., the Grantors, to First American Title Company of Nevada, as Trustee, for the benefit of Bankers Trust Company, as Beneficiary. (19)

10(16) -Mortgage, Leasehold Mortgage, Assignment, Assignment of Leases and Rents and Security Agreement, dated as of July 22, 1993, from Marina Associates and Embassy Suites, Inc., the Mortgagors, to Bankers Trust Company, as Collateral Agent and the Mortgagee. (19)

10(17) -Pledge Agreement, dated as of July 22, 1993, between The Promus Companies Incorporated and Bankers Trust Company, as Collateral Agent. (19)

10(18) -Pledge Agreement, dated as of July 22, 1993, among Embassy Suites, Inc., ESI Equity Development Corporation, Harrah's, Harrah's Club, Casino Holding Company, and Bankers Trust Company, as the General Collateral Agent, and Bank of America Nevada as the Nevada Collateral Agent. (19)

10(19) -Form of License Agreement for Hampton Inns. (7)

10(20) -Form of License Agreement for Hampton Inns revised 1988. (8)

10(21) -Form of License Agreement for Hampton Inns revised 1991. (15)

10(22) -Form of License Agreement for Hampton Inns revised 1992. (18)

10(23) -Form of License Agreement for Embassy Suites. (9)

10(24) -Form of License Agreement for Embassy Suites revised 1989. (12)

10(25) -Form of License Agreement for Embassy Suites revised 1990. (13)

10(26) -Form of License Agreement for Embassy Suites revised 1991. (15)

10(27) -Form of License Agreement for Embassy Suites revised 1992. (18)

10(28) -Form of Short-Term License Agreement for Embassy Suites. (12)

10(29) -Form of Short-Term License Agreement for Embassy Suites revised 1990. (13)

10(30) -Form of Short-Term License Agreement for Embassy Suites revised 1991. (15)

10(31) -Form of Short-Term License Agreement for Embassy Suites revised 1992. (18)

10(32) -Form of License Agreement for Homewood Suites. (3)

10(33) -Form of License Agreement for Homewood Suites revised 1992. (18)

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+ Management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 14(a)(3) of Form 10-K.

NO.

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**10(34) -Form of License Agreement for Homewood Suites revised 1993.

**10(35) -Form of License Agreement for Embassy Suites revised 1993.

**10(36) -Form of Short-Term License Agreement for Embassy Suites revised 1993.

**10(37) -Form of License Agreement for Hampton Inns revised 1993.

**10(38) -Form of License Agreement for Hampton Inn & Suites.

10(39) -Management Agreement dated as of December 17, 1986, between Hampton Inns, Inc. and Hampton/GHI Associates No. 1. (10)

10(40) -Form of Management Agreement between Embassy Suites, Inc. and affiliates of General Electric Pension Trust. (10)

+10(41) -Employment Agreement dated August 1, 1987 between Holiday Corporation and Michael D. Rose; Amendment to Employment Agreement dated as of January 31, 1990 between The Promus Companies Incorporated and Michael D. Rose. (12)

+10(42) -Amended and Restated Severance Agreement dated as of May 1, 1992 between The Promus Companies Incorporated and Michael D. Rose. (18)

+10(43) -Summary Plan Description of Executive Term Life Insurance Plan. (18)

+10(44) -Forms of Stock Option (1990 Stock Option Plan). (12)

+10(45) -Revised Forms of Stock Option (1990 Stock Option Plan). (18)

+10(46) -Form of The Promus Companies Incorporated's Annual Bonus Plan, as amended, for Managers and Executives. (13)

+10(47) -Forms of Restricted Stock Award (1990 Restricted Stock Plan). (12)

+10(48) -Deferred Compensation Plan dated October 16, 1991. (15)

+10(49) -Form of Deferred Compensation Agreement. (12)

+10(50) -Form of Deferred Compensation Agreement revised November 1991. (15)

+10(51) -Executive Deferred Compensation Plan. (12)

+10(52) -First Amendment to Executive Deferred Compensation Plan, dated as of October 25, 1990. (13)

+10(53) -Second Amendment to Executive Deferred Compensation Plan, dated as of October 25, 1991. (15)

+10(54) -Third Amendment to Executive Deferred Compensation Plan, dated as of October 29, 1992. (18)

+10(55) -Forms of Restricted Stock Award (1990 Restricted Stock Plan). (18)

+10(56) -First Amendment to Escrow Agreement dated January 31, 1990 among Holiday Corporation, certain subsidiaries thereof and Sovran Bank, as escrow agent. (12)

+10(57) -Escrow Agreement dated February 6, 1990 between The Promus Companies Incorporated, certain subsidiaries thereof, and Sovran Bank, as escrow agent. (12)

+10(58) -Form of Amended and Restated Severance Agreement dated November 5, 1992, entered into with Charles A. Ledsinger, Jr., Ben C. Peternell, Philip G. Satre and Colin V. Reed. (18)

+10(59) -Form of memorandum agreement dated July 2, 1991, eliminating stock appreciation rights under stock options held by Charles A. Ledsinger, Jr., Ben C. Peternell and Philip G. Satre. (14)

+10(60) -The Promus Companies Incorporated Amended and Restated Savings and Retirement Plan dated as of February 6, 1990. (18)

+10(61) -Administrative Regulations, Long Term Compensation Plan (Restricted Stock Plan and Stock Option Plan), dated as of January 1, 1992. (17)

+10(62) -Amendment dated October 29, 1992 to The Promus Companies Incorporated Savings and Retirement Plan Trust Agreement; Amendment dated September 21, 1992 to The Promus Companies Incorporated Savings and Retirement Plan Trust Agreement (18)

+10(63) -Revised Form of Stock Option. (21)

+10(64) -The Promus Companies Incorporated 1990 Stock Option Plan (as amended as of April 30, 1993). (20)

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** Filed herewith

+ Management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 14(a)(3) of Form 10-K.

NO.	
**10(65)	-Limited Partnership Agreement of Des Plaines Limited Partnership between Harrah's Illinois Corporation and John Q. Hammons, dated February 28, 1992; First Amendment to Limited Partnership Agreement of Des Plaines Limited Partnership dated as of October 5, 1992.
+**10(66)	-Amendment to Escrow Agreement dated as of October 29, 1993 among The Promus Companies Incorporated, certain subsidiaries thereof, and NationsBank, formerly Sovran Bank.
**10(67)	-Amended and Restated Partnership Agreement of Harrah's Jazz Company, dated as of March 15, 1994, among Harrah's New Orleans Investment Company, New Orleans/Louisiana Development Corporation and Grand Palais Casino, Inc.; First Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company, effective as of March 15, 1994.
10(68)	-Form of Rivergate Ground Lease by and among Harrah's Jazz Company, Rivergate Development Corporation and the City of New Orleans. (23)
10(69)	-Form of General Development Agreement among Harrah's Jazz Company, Rivergate Development Corporation and the City of New Orleans. (23)
10(70)	-Form of Temporary Casino Lease by and among Harrah's Jazz Company, Rivergate Development Corporation and the City of New Orleans. (23)
10(71)	-Form of Casino Management Agreement between Harrah's Jazz Company and Harrah's New Orleans Management Company. (23)
**11	-Computations of per share earnings.
**12	-Computations of ratios.
**13	-Portions of Annual Report to Stockholders for the fiscal year ended December 31, 1993. (24)
**21	-List of subsidiaries of The Promus Companies Incorporated.
99(1)	-Proxy Statement--Information Statement--Prospectus dated December 13, 1989 of Holiday Corporation, The Promus Companies Incorporated and Bass Public Limited Company. (12)

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** Filed herewith

+ Management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 14(a)(3) of Form 10-K.

FOOTNOTES

(1) Incorporated by reference from the Company's Registration Statement on Form 10, File No. 1-10410, filed on December 13, 1989.

(2) Incorporated by reference from the Company's Current Report on Form 8-K dated February 16, 1990, File No. 1-10410.

(3) Incorporated by reference from Holiday Corporation's Annual Report on Form 10-K for the fiscal year ended January 1, 1988, filed March 31, 1988, File No. 1-8900.

(4) Incorporated by reference from Holiday Inns, Inc.'s Registration Statement on Form S-3, File No. 33-11770, filed February 24, 1987.

(5) Incorporated by reference from Holiday Inns, Inc's Registration Statement on Form S-3, File No. 33-11163, filed December 31, 1986.

(6) Incorporated by reference from the Company's and Embassy Suites, Inc.'s Amendment No. 2 to Form S-4 Registration Statement, File No. 33-49509-01, filed July 16, 1993.

(7) Incorporated by reference from Holiday Inns, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 30, 1983, filed March 21, 1984, File No. 1-4804.

(8) Incorporated by reference from Holiday Corporation's Annual Report on Form 10-K for the fiscal year ended December 30, 1988, filed March 30, 1989, File No. 1-8900.

(9) Incorporated by reference from Holiday Corporation's Annual Report on Form 10-K for the fiscal year ended January 3, 1986, filed March 28, 1986, File No. 1-8900.

(10) Incorporated by reference from Holiday Corporation's Annual Report on Form 10-K for the fiscal year ended January 2, 1987, filed March 27, 1987, File No. 1-8900.

(11) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993, filed May 13, 1993, File No. 1-10410.

(12) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1989, filed March 28, 1990, File No. 1-10410.

(13) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 1990, filed March 21, 1991, File No. 1-10410.

(14) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 1991, filed November 8, 1991, File No. 1-10410.

(15) Incorporated by reference from Amendment No. 2 to the Company's and Embassy's Registration Statement on Form S-1, file No. 33-43748, filed March 18, 1992.

(16) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 1992, filed March 26, 1992, File No. 1-10410.

(17) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992, filed May 13, 1992, File No. 1-10410.

(18) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992, filed March 12, 1993, File No. 1-10410.

(19) Incorporated by reference from the Company's Current Report on Form 8-K filed August 6, 1993, File No. 1-10410.

(20) Incorporated by reference from Post-Effective Amendment No. 1 to the Company's Form S-8 Registration Statement, File No. 33-32864-01, filed July 22, 1993.

(21) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993, filed August 12, 1993, File No. 1-10410.

(22) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993, filed November 12, 1993, File No. 1-10410.

(23) Incorporated by reference from Amendment No. 1 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed February 22, 1994.

(24) Filed herewith to the extent provisions of such report are specifically incorporated herein by reference.

(b) The following Reports on Form 8-K were filed during the fourth quarter of 1993 and thereafter through March 24, 1994: NONE

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 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

Dated: March 28, 1994 By: MICHAEL D. ROSE

(Michael D. Rose, Chairman and Chief Executive Officer)

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT IN THE CAPACITIES AND ON THE DATES INDICATED.

Signature	Title	Date
JAMES L. BARKSDALE (James L. Barksdale)	Director	March 28, 1994
JAMES B. FARLEY (James B. Farley)	Director	March 28, 1994
JOE M. HENSON (Joe M. Henson)	Director	March 28, 1994
MICHAEL D. ROSE (Michael D. Rose)	Director and Chief Executive Officer	March 28, 1994
WALTER J. SALMON (Walter J. Salmon)	Director	March 28, 1994
PHILIP G. SATRE (Philip G. Satre)	Director, President and Chief Operating Officer	March 28, 1994
BOAKE A. SELLS (Boake A. Sells)	Director	March 28, 1994
RONALD TERRY (Ronald Terry)	Director	March 28, 1994
EDDIE N. WILLIAMS (Eddie N. Williams)	Director	March 28, 1994
SHIRLEY YOUNG (Shirley Young)	Director	March 28, 1994
CHARLES A. LEDSINGER, JR. (Charles A. Ledsinger, Jr.)	Chief Financial Officer	March 28, 1994
MICHAEL N. REGAN (Michael N. Regan)	Controller and Principal Accounting Officer	March 28, 1994

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Promus Companies Incorporated:

We have audited in accordance with generally accepted auditing standards, the financial statements included in The Promus Companies Incorporated 1993 annual report to stockholders, incorporated by reference in this Form 10-K, and have issued our report thereon dated February 8, 1994. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedules listed under Item 14(a)2 on page 34 are the responsibility of the Company's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

Memphis, Tennessee,
February 8, 1994.

SCHEDULE II

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED AMOUNTS RECEIVABLE FROM RELATED PARTIES AND
UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

(IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D		COLUMN E	
			DEDUCTIONS		BALANCE AT END OF PERIOD	
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	CURRENT	NOT CURRENT
FISCAL YEAR ENDED DECEMBER 31, 1993						
Clyde E. Culp, III	$ 124	$ -	$ 124	$ -	$ -	$ -
Charles A. Ledsinger, Jr	126	-	126	-	-	-
Craig H. Norville	120	351	120	-	351	-
Philip G. Satre	240	-	240	-	-	-
Kevin O. Servatius	-	112	-	-	112	-
FISCAL YEAR ENDED DECEMBER 31, 1992						
Clyde E. Culp, III	$ -	$ 124	$ -	$ -	$ 124	$ -
Charles A. Ledsinger, Jr	-	191	65	-	126	-
Craig H. Norville	-	120	-	-	120	-
Philip G. Satre	-	358	118	-	240	-
FISCAL YEAR ENDED JANUARY 3, 1992	$ -	$ -	$ -	$ -	$ -	$ -

SCHEDULE III

THE PROMUS COMPANIES INCORPORATED
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31,	
	1993	1992
ASSETS		
Cash	$ -	$ -
Investments in and advances to subsidiaries (eliminated in consolidation)	535,707	427,275
Organizational costs	302	573
	$ 536,009	$ 427,848
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accrued taxes, including federal income taxes	$ (28)	$ (82)
Commitments and contingencies-see page S-5		
Stockholders' equity		
Common stock, $1.50 par value, authorized-120,000,000 shares, outstanding-102,258,442 and 101,882,082 shares (excluding 25,251 and 44,442 shares held in treasury)	153,388	101,882
Capital surplus	201,035	229,913
Retained earnings	187,203	100,857
Deferred compensation related to restricted stock	(5,589)	(4,722)
	536,037	427,930
	$ 536,009	$ 427,848

The accompanying Notes to Financial Statements are an integral part of these balance sheets.

THE PROMUS COMPANIES INCORPORATED
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF INCOME
(IN THOUSANDS)

	FISCAL YEAR ENDED		
	DECEMBER 31, 1993	DECEMBER 31, 1992	JANUARY 3, 1992
Revenues	$ -	$ -	$ -
Costs and expenses	319	458	402
Loss before income taxes and equity in subsidiaries' continuing earnings	(319)	(458)	(402)
Income tax benefit	112	155	137
Loss before equity in subsidiaries' continuing earnings	(207)	(303)	(265)
Equity in subsidiaries' continuing earnings	92,000	51,721	30,276
Income before extraordinary items	91,793	51,418	30,011
Extraordinary items, net of tax benefit (provision) of $3,415 and $(753) (Note 8)	(5,447)	1,074	-
Net income	$ 86,346	$ 52,492	$ 30,011

The accompanying Notes to Financial Statements are an integral part of these statements.

THE PROMUS COMPANIES INCORPORATED
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FISCAL YEAR ENDED		
	DECEMBER 31, 1993	DECEMBER 31, 1992	JANUARY 3, 1992
Cash flows from operating activities			
Net income	$ 86,346	$ 52,492	$ 30,011
Adjustments to reconcile net income to cash flows from operating activities			
Extraordinary items	8,862	(1,827)	-
Amortization	271	265	276
Equity in undistributed continuing earnings of subsidiaries	(92,000)	(51,721)	(30,276)
Dividend received from subsidiary	-	500	-
Net change in working capital accounts	(3,479)	791	(11)
Cash flows from operating activities	-	500	-
Cash flows used in investing activities			
Advances and capital contributions to subsidiaries	-	(500)	(126,080)
Cash flows provided by financing activities			
Proceeds from issuance of stock, net of issue costs of $6,920	-	-	126,080
Net change in cash	-	-	-
Cash, beginning of period	-	-	-
Cash, end of period	$ -	$ -	$ -

The accompanying Notes to Financial Statements are an integral part of these statements.

THE PROMUS COMPANIES INCORPORATED
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993

NOTE 1--BASIS OF ORGANIZATION

The Promus Companies Incorporated (Promus), a Delaware corporation, is a holding company, the principal assets of which are the capital stock of two subsidiaries, Embassy Suites, Inc. (Embassy) and Aster Insurance Ltd. (Aster). These condensed financial statements should be read in conjunction with the consolidated financial statements of Promus and subsidiaries.

NOTE 2--FISCAL YEAR

As of the beginning of fiscal 1992, Promus changed from a fiscal year to a calendar year for financial reporting purposes. The impact of this change on Promus' financial statements was immaterial.

NOTE 3--ORGANIZATIONAL COSTS

Organizational costs are being amortized on a straight-line basis over a five year period.

NOTE 4--OWNERSHIP OF ASTER

The value of Promus' investment in Aster has been reduced below zero. Promus' negative investment in Aster at December 31, 1993 and 1992 was $12.8 million and $10.9 million, respectively, and is included in investments in and advances to subsidiaries on the accompanying balance sheets. In addition, Promus has guaranteed the future payment by Aster of certain insurance-related liabilities.

NOTE 5--LONG-TERM DEBT

Promus has no long-term debt obligations. Promus has guaranteed certain long-term debt obligations of Embassy.

NOTE 6--STOCKHOLDERS' EQUITY

On October 29, 1993, Promus' Board of Directors approved a three-for-two stock split (the October split), in the form of a stock dividend, effected by a distribution on November 29, 1993, of one additional share for each two shares owned by stockholders of record on November 8, 1993. The October split followed a two-for-one split, also effected as a stock dividend, approved by the Board on February 26, 1993, and distributed on March 29, 1993. The $1.50 par value per share of Promus' common stock was unchanged by these splits. The par value of the additional shares issued as a result of these splits was capitalized into common stock on the accompanying balance sheets by means of a transfer from capital surplus. All references in these financial statements to numbers of common shares and earnings per share have been restated to give retroactive effect to both stock splits.

During the second quarter of 1993, Sodak Gaming, Inc. (Sodak), in which a subsidiary of Embassy owns an equity investment, completed an initial public offering of its common stock. As required by equity accounting rules, Embassy's subsidiary increased the carrying value of its investment in Sodak by an amount equal to its pro rata share of the proceeds of Sodak's offering, approximately $6.4 million. A corresponding increase was recorded in the combination of the subsidary's capital surplus and

THE PROMUS COMPANIES INCORPORATED
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993

NOTE 6--STOCKHOLDERS' EQUITY (CONTINUED)
deferred income tax liability accounts. As a result of this activity, Promus increased its investment in Embassy and its capital surplus by approximately $3.8 million.

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 7--INCOME TAXES

Promus files a consolidated tax return with its subsidiaries.

During 1992, Promus and its subsidiaries adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. The provisions of the statement were applied retroactively to the Spin-off date (February 7, 1990), and the cumulative effect of this change in accounting for income taxes of approximately $9.5 million was charged against stockholders' equity. There were no changes in the amounts of previously reported income from continuing operations or net income resulting from the application of this statement.

NOTE 8--EXTRAORDINARY ITEMS

Promus' equity in Embassy's net extraordinary items for fiscal 1993 and 1992 was as follows:

	1993	1992
Loss on early extinguishments of debt	$ (8,862)	$ (5,558)
Gain on forgiveness of joint venture debt	-	4,353
Gain due to discounting of debt at extinguishment	-	3,032
	(8,862)	1,827
Income tax benefit (provision)	3,415	(753)
Extraordinary items, net of income taxes	$ (5,447)	$ 1,074

SCHEDULE V

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED PROPERTY AND EQUIPMENT

(IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST(A)	RETIREMENTS	OTHER CHANGES ADD (DEDUCT)	BALANCE AT CLOSE OF PERIOD
FISCAL YEAR ENDED DECEMBER 31, 1993					
Owned					
Land and land rights	$ 203,392	$ 7,459	$ (6,862)	$ (276)	$ 203,713
Buildings, riverboats, improvements and other	1,004,858	110,067	(55,270)	448	1,060,103
Furniture, fixtures and equipment	371,768	93,439	(35,707)	44	429,544
	1,580,018	210,965	(97,839)	216	1,693,360
Construction-in-progress	53,370	25,488	(509)	(104)	78,245
Property held for future use(B)	42,641	-	-	(99)	42,542
	1,676,029	236,453	(98,348)	13	1,814,147
Leased					
Buildings, improvements and other	4,993	15	-	-	5,008
Furniture, fixtures and equipment	2,508	3,007	(87)	(150)	5,278
	7,501	3,022	(87)	(150)	10,286
Totals	$ 1,683,530	$ 239,475	$ (98,435)	$ (137)	$ 1,824,433

(A) Principally construction of new casino facilities and refurbishment of existing casino and hotel properties, including transfers from construction-in-progress.

(B) Land held for future development or disposition is included in property held for future use and amounted to $42.1 million, net of an $11.0 million reserve for property dispositions.

SCHEDULE V (CONTINUED)

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED PROPERTY AND EQUIPMENT

(IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST(A)	RETIREMENTS	OTHER CHANGES ADD (DEDUCT)	BALANCE AT CLOSE OF PERIOD
FISCAL YEAR ENDED DECEMBER 31, 1992					
Owned					
Land and land rights	$ 199,108	$ 4,736	$ (559)	$ 107	$ 203,392
Buildings, riverboats, improvements and other	935,225	70,543	(910)	-	1,004,858
Furniture, fixtures and equipment	335,107	42,393	(6,198)	466	371,768
	1,469,440	117,672	(7,667)	573	1,580,018
Construction-in-progress	54,404	(195)	(369)	(470)	53,370
Property held for future use(B)	42,641	-	-	-	42,641
	1,566,485	117,477	(8,036)	103	1,676,029
Leased					
Buildings, improvements and other	5,169	-	-	(176)	4,993
Furniture, fixtures and equipment	1,703	551	-	254	2,508
	6,872	551	-	78	7,501
Totals	$ 1,573,357	$ 118,028	$ (8,036)	$ 181	$ 1,683,530

(A) Principally refurbishment and expansion of casino and hotel properties, including transfers from construction-in-progress.

(B) Land held for future development or disposition is included in property held for future use and amounted to $41.4 million, which is net of an $11.0 million reserve for property dispositions.

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED PROPERTY AND EQUIPMENT

(IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST(A)	RETIREMENTS	OTHER CHANGES ADD (DEDUCT)(B)	BALANCE AT CLOSE OF PERIOD
FISCAL YEAR ENDED JANUARY 3, 1992					
Owned					
Land and land rights	$ 186,602	$ 12,590	$ (100)	$ 16	$ 199,108
Buildings, riverboats, improvements and other	781,546	158,991	(5,572)	260	935,225
Furniture, fixtures and equipment	283,530	57,785	(7,237)	1,029	335,107
	1,251,678	229,366	(12,909)	1,305	1,469,440
Construction-in-progress	110,070	(60,562)	(907)	5,803	54,404
Property held for future use(C)	39,314	4,106	(110)	(669)	42,641
	1,401,062	172,910	(13,926)	6,439	1,566,485
Leased					
Buildings, improvements and other	4,864	305	-	-	5,169
Furniture, fixtures and equipment	1,415	356	(92)	24	1,703
	6,279	661	(92)	24	6,872
Totals	$ 1,407,341	$ 173,571	$ (14,018)	$ 6,463	$ 1,573,357

(A) Principally refurbishment and expansion of casino and hotel properties, including transfers from construction-in-progress.

(B) Principally transfers from deferred charges of $7.8 million, partially offset by the transfer to investments in nonconsolidated affiliates of $1.0 million in assets contributed to a joint venture.

(C) Land held for future development or disposition is included in property held for future use and amounted to $41.4 million, which is net of an $11.0 million reserve for property dispositions.

SCHEDULE VI

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED ACCUMULATED DEPRECIATION AND AMORTIZATION
OF PROPERTY AND EQUIPMENT

(IN THOUSANDS)

COLUMN A		COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
DESCRIPTION	ESTIMATED USEFUL LIFE IN YEARS	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	RETIREMENTS	OTHER CHANGES ADD (DEDUCT)	BALANCE AT CLOSE OF PERIOD
FISCAL YEAR ENDED DECEMBER 31, 1993						
Owned						
Buildings, riverboats, improvements and other	5-40	$ 200,279	$ 33,649	$ (8,559)	$ 28	$ 225,397
Furniture, fixtures and equipment	3-15	228,734	45,759	(21,049)	102	253,546
		429,013	79,408	(29,608)	130	478,943
Leased						
Buildings, improvements and other	4-35	4,513	114	-	-	4,627
Furniture, fixtures and equipment	1-10	1,513	1,193	(16)	(29)	2,661
		6,026	1,307	(16)	(29)	7,288
Totals		$ 435,039	$ 80,715	$ (29,624)	$ 101	$ 486,231
FISCAL YEAR ENDED DECEMBER 31, 1992						
Owned						
Buildings, riverboats, improvements and other	5-40	$ 169,821	$ 32,402	$ (965)	$ (979)	$ 200,279
Furniture, fixtures and equipment	2-15	193,285	38,621	(4,562)	1,390	228,734
		363,106	71,023	(5,527)	411	429,013
Leased						
Buildings, improvements and other	4-40	4,254	291	-	(32)	4,513
Furniture, fixtures and equipment	2-10	969	391	-	153	1,513
		5,223	682	-	121	6,026
Totals		$ 368,329	$ 71,705	$ (5,527)	$ 532	$ 435,039
FISCAL YEAR ENDED JANUARY 3, 1992						
Owned						
Buildings, riverboats, improvements and other	10-40	$ 141,016	$ 27,318	$ (237)	$ 1,724	$ 169,821
Furniture, fixtures and equipment	3-15	164,402	37,537	(6,923)	(1,731)	193,285
		305,418	64,855	(7,160)	(7)	363,106
Leased						
Buildings, improvements and other	4-40	3,735	519	-	-	4,254
Furniture, fixtures and equipment	2-10	648	570	(256)	7	969
		4,383	1,089	(256)	7	5,223
Totals		$ 309,801	$ 65,944	$ (7,416)	$ -	$ 368,329

SCHEDULE VIII

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

(IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
		ADDITIONS			
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS FROM RESERVES	BALANCE AT CLOSE OF PERIOD
FISCAL YEAR ENDED DECEMBER 31, 1993					
Allowance for doubtful accounts					
Current	$ 11,598	$ 6,022	$ -	$ 6,756(A)	$ 10,864
Long-term	$ 644	$ -	$ -	$ -	$ 644
Allowance for losses on property dispositions	$ 12,744	$ (128)(B)	$ -	$ 1,616(C)	$ 11,000
FISCAL YEAR ENDED DECEMBER 31, 1992					
Allowance for doubtful accounts					
Current	$ 12,710	$ 5,543	$ -	$ 6,655(A)	$ 11,598
Long-term	$ 1,696	$ 175	$ -	$ 1,227	$ 644
Allowance for losses on property dispositions	$ 12,934	$ (190)(B)	$ -	$ -	$ 12,744
FISCAL YEAR ENDED JANUARY 3, 1992					
Allowance for doubtful accounts					
Current	$ 12,611	$ 6,421	$ (703)	$ 5,619(A)	$ 12,710
Long-term	$ 1,378	$ 57	$ 359	$ 98	$ 1,696
Allowance for losses on property dispositions	$ 13,107	$ (173)(B)	$ -	$ -	$ 12,934

(A) Uncollectible accounts written off, net of amounts recovered.

(B) Amortization of reserve balance.

(C) Write-off at time of property dispositions.

SCHEDULE X

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED SUPPLEMENTARY INCOME STATEMENT INFORMATION

(IN THOUSANDS)

COLUMN A	COLUMN B		
ITEM	CHARGED TO COSTS AND EXPENSES		
	FISCAL YEAR		
	1993	1992	1991
Maintenance and repairs	$ 24,624	$ 23,665	$ 18,506
Taxes other than payroll and income taxes			
Gaming taxes	72,077	55,576	53,811
Property taxes	19,152	18,993	16,186
Miscellaneous taxes	4,661	2,408	1,396
Advertising	33,071	31,366	25,930

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 8, 1994, included in or incorporated by reference in this Form 10-K for the year ended December 31, 1993, into the Company's previously filed Registration Statements File Nos. 33-32863, 33-32864 and 33-32865.

ARTHUR ANDERSEN & CO.

Memphis, Tennessee,
March 28, 1994.

EXHIBIT INDEX

NO.	
3(1)	-Certificate of Incorporation of The Promus Companies Incorporated. (1)
3(2)	-Bylaws of The Promus Companies Incorporated, as amended. (16)
4(1)	-Rights Agreement dated as of February 7, 1990, between The Promus Companies Incorporated and The Bank of New York as Rights Agent. (12)
4(2)	-Offering Circular dated February 9, 1988, for $200,000,000 Holiday Inns, Inc. 8 5/8% Notes due 1993 and $200,000,000 9% Notes due 1995; Indenture dated as of February 15, 1988, among Holiday Inns, Inc., Holiday Corporation and Sumitomo Bank of New York Trust Company, Trustee; Irrevocable Letter of Credit dated February 25, 1988, by The Sumitomo Bank, Limited, New York Branch. (3)
4(3)	-Indenture Supplement No. 1 dated as of February 7, 1990, under Indenture dated as of February 15, 1988, among Holiday Inns, Inc., Holiday Corporation and Sumitomo Bank of New York Trust Company, Trustee; Amendment No. 1 dated February 7, 1990, to Irrevocable Letter of Credit dated February 25, 1988, by The Sumitomo Bank, Limited, New York Branch. (12)
4(4)	-Indenture dated as of March 30, 1987, between Holiday Inns, Inc., Issuer, Holiday Corporation, Guarantor, and Commerce Union Bank (now Sovran Bank/Central South), Trustee; Prospectus dated March 5, 1987, for $900,000,000 Holiday Inns, Inc. 10 1/2% Senior Notes due 1994. (4)
4(5)	-First Supplemental Indenture dated as of January 12, 1990, with respect to the 10 1/2% Senior Notes due 1994, among Sovran Bank/Central South, as trustee, Holiday Corporation, as guarantor, The Promus Companies Incorporated and Holiday Inns, Inc., as issuer; Second Supplemental Indenture dated as of February 7, 1990, with respect to the 10 1/2% Senior Notes due 1994, among Holiday Inns, Inc., Holiday Corporation, Embassy Suites, Inc., The Promus Companies Incorporated and Sovran Bank/Central South; Form of Note for 10 1/2% Senior Notes due 1994. (12)
4(6)	-Indenture dated as of March 30, 1987, between Holiday Inns, Inc., Issuer, Holiday Corporation, Guarantor, and LaSalle National Bank, Trustee; Prospectus dated March 5, 1987, for $500,000,000 Holiday Inns, Inc. 11% Subordinated Debentures due 1999. (5)
4(7)	-First Supplemental Indenture dated as of January 8, 1988, under Indenture dated as of March 30, 1987, among Holiday Inns, Inc., Holiday Corporation and LaSalle National Bank. (3)
4(8)	-Second Supplemental Indenture dated as of February 23, 1988, under Indenture dated as of March 30, 1987, among Holiday Inns, Inc., Holiday Corporation, Guarantor, and LaSalle National Bank. (3)
4(9)	-Third Supplemental Indenture dated as of January 17, 1990, with respect to the 11% Subordinated Debentures due 1999, among LaSalle National Bank, as trustee, Holiday Corporation, as guarantor, The Promus Companies Incorporated and Holiday Inns, Inc., as issuer; Fourth Supplemental Indenture dated as of February 7, 1990, with respect to the 11% Subordinated Debentures due 1999, among Holiday Inns, Inc., Holiday Corporation, Embassy Suites, Inc., The Promus Companies Incorporated and LaSalle National Bank; Form of Debenture for 11% Subordinated Debentures due 1999. (12)
4(10)	-Letter to Bank of New York dated March 18, 1993 constituting Certificate under Section 12 of the Rights Agreement dated as of February 7, 1990. (11)
4(11)	-Interest Swap Agreement between Bank of America National Trust and Savings Association and Embassy Suites, Inc. dated May 14, 1993. (6)
4(12)	-Interest Swap Agreement between NationsBank of North Carolina, N.A. and Embassy Suites, Inc. dated May 18, 1993. (6)

NO.

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4(13) -First Supplemental Indenture dated as of July 15, 1987, among Irving Trust Company, as resigning trustee with respect to the 1999 Notes, Indiana National Bank as successor trustee with respect to the 1999 Notes and Holiday Inns, Inc.; Second Supplemental Indenture dated as of January 8, 1988, under Indenture dated as of January 15, 1984, between Holiday Inns, Inc., and Irving Trust Company, as trustee with respect to 8 3/8% Notes due 1996; Third Supplemental Indenture dated as of January 8, 1988, under Indenture dated as of January 15, 1984, among Holiday Inns, Inc., Irving Trust Company, as resigning trustee with respect to the 8 3/8% Notes due 1996, and LaSalle National Bank as successor trustee with respect to the 8 3/8% Notes due 1996; Fourth Supplemental Indenture dated as of February 23, 1988, under Indenture dated as of January 15, 1984, between Holiday Inns, Inc. and LaSalle National Bank, as trustee with respect to the 8 3/8% Notes due 1996. (3)

4(14) -Fifth Supplemental Indenture dated as of January 23, 1990, with respect to the 8 3/8% Notes due 1996, among LaSalle National Bank, as trustee, The Promus Companies Incorporated and Holiday Inns, Inc., as issuer; Sixth Supplemental Indenture dated as of February 7, 1990, with respect to the 8 3/8% Notes due 1996, among Holiday Inns, Inc., Embassy Suites, Inc., The Promus Companies Incorporated and LaSalle National Bank; Form of Note for 8 3/8% Notes due 1996. (12)

4(15) -Indenture dated as of April 1, 1992, with respect to the 10 7/8% Senior Subordinated Notes due 2002, among The Bank of New York, as trustee, The Promus Companies Incorporated, as guarantor, and Embassy Suites, Inc., as issuer; Form of Note for 10 7/8% Senior Subordinated Notes due 2002. (18)

4(16) -Indenture dated as of August 1, 1993, with respect to the 8 3/4% Senior Subordinated Notes due 2000, among The Bank of New York, as trustee, The Promus Companies Incorporated, as guarantor, and Embassy Suites, Inc., as issuer; Form of Note for 8 3/4% Senior Subordinated Notes due 2000. (6)

4(17) -Interest Swap Agreement between The Sumitomo Bank, Limited and Embassy Suites, Inc. dated October 22, 1992; Interest Swap Agreement between The Bank of Nova Scotia and Embassy Suites, Inc. dated October 22, 1992; Interest Swap Agreement between The Nippon Credit Bank and Embassy Suites, Inc. dated October 22, 1992; (18)

10(1) -Amended and Restated Agreement and Plan of Merger among Holiday Corporation, Holiday Inns, Inc., The Promus Companies Incorporated, Bass plc, Bass (U.S.A.) Hotels, Incorporated (a Delaware corporation) and Bass (U.S.A.) Hotels, Incorporated (a Tennessee corporation), dated as of August 24, 1989. (1)

10(2) -First Amendment to the Amended and Restated Agreement and Plan of Merger among Holiday Corporation, Holiday Inns, Inc., The Promus Companies Incorporated, Bass plc and Bass (U.S.A.) Hotels, Incorporated, dated as of February 7, 1990. (2)

10(3) -Tax Sharing Agreement dated as of February 7, 1990, among Holiday Corporation, Holiday Inns, Inc., The Promus Companies Incorporated, Bass plc, Bass European Holdings, N.V., Bass (U.S.A.), Inc. and Bass (U.S.A.) Hotels, Incorporated. (12)

10(4) -Form of Indemnification Agreement entered into by The Promus Companies Incorporated and each of its directors and executive officers. (1)

10(5) -The Promus Companies Incorporated 1990 Stock Option Plan. (12)

10(6) -The Promus Companies Incorporated 1990 Restricted Stock Plan. (12)

10(7) -The Promus Companies Incorporated Savings and Retirement Plan Trust Agreement. (12)

10(8) -Amendment to The Promus Companies Incorporated Savings and Retirement Plan dated May 1, 1991. (15)

NO.

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+10(9) -Financial Counseling Plan of The Promus Companies Incorporated as amended February 25, 1993. (11)

+10(10) -Form of Severance Agreement dated July 30, 1993, entered into with E. O. Robinson, Jr. and John M. Boushy. (22)

10(11) -Credit Agreement, dated as of July 22, 1993, among Embassy Suites, Inc., The Promus Companies Incorporated, the Banks parties thereto, Marina Associates and Bankers Trust Company, as Administrative Agent. (19)

10(12) -Amended and Restated Reimbursement Agreement, dated as of July 22, 1993, among Embassy Suites, Inc., The Promus Companies Incorporated, Marina Associates and The Sumitomo Bank, Limited, New York Branch. (19)

10(13) -Master Collateral Agreement, dated as of July 22, 1993, among The Promus Companies Incorporated, Embassy Suites, Inc., the other Collateral Grantors parties thereto, Bankers Trust Company, as Administrative Agent, and Bankers Trust Company as Collateral Agent. (19)

10(14) -Security Agreement dated as of July 22, 1993, among Embassy Suites, Inc., the Collateral Grantors parties thereto and Bankers Trust Company, as Collateral Agent. (19)

10(15) -Deed of Trust, Leasehold Deed of Trust, Assignment, Assignment of Leases and Rents, Security Agreement and Financing Statement, dated as of July 22, 1993, from Embassy Suites, Inc., Harrah's Laughlin, Inc., and Harrah's Reno Holding Company, Inc., the Grantors, to First American Title Company of Nevada, as Trustee, for the benefit of Bankers Trust Company, as Beneficiary. (19)

10(16) -Mortgage, Leasehold Mortgage, Assignment, Assignment of Leases and Rents and Security Agreement, dated as of July 22, 1993, from Marina Associates and Embassy Suites, Inc., the Mortgagors, to Bankers Trust Company, as Collateral Agent and the Mortgagee. (19)

10(17) -Pledge Agreement, dated as of July 22, 1993, between The Promus Companies Incorporated and Bankers Trust Company, as Collateral Agent. (19)

10(18) -Pledge Agreement, dated as of July 22, 1993, among Embassy Suites, Inc., ESI Equity Development Corporation, Harrah's, Harrah's Club, Casino Holding Company, and Bankers Trust Company, as the General Collateral Agent, and Bank of America Nevada as the Nevada Collateral Agent. (19)

10(19) -Form of License Agreement for Hampton Inns. (7)

10(20) -Form of License Agreement for Hampton Inns revised 1988. (8)

10(21) -Form of License Agreement for Hampton Inns revised 1991. (15)

10(22) -Form of License Agreement for Hampton Inns revised 1992. (18)

10(23) -Form of License Agreement for Embassy Suites. (9)

10(24) -Form of License Agreement for Embassy Suites revised 1989. (12)

10(25) -Form of License Agreement for Embassy Suites revised 1990. (13)

10(26) -Form of License Agreement for Embassy Suites revised 1991. (15)

10(27) -Form of License Agreement for Embassy Suites revised 1992. (18)

10(28) -Form of Short-Term License Agreement for Embassy Suites. (12)

10(29) -Form of Short-Term License Agreement for Embassy Suites revised 1990. (13)

10(30) -Form of Short-Term License Agreement for Embassy Suites revised 1991. (15)

10(31) -Form of Short-Term License Agreement for Embassy Suites revised 1992. (18)

10(32) -Form of License Agreement for Homewood Suites. (3)

10(33) -Form of License Agreement for Homewood Suites revised 1992. (18)

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+ Management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 14(a)(3) of Form 10-K.

NO.	
**10(34)	-Form of License Agreement for Homewood Suites revised 1993.
**10(35)	-Form of License Agreement for Embassy Suites revised 1993.
**10(36)	-Form of Short-Term License Agreement for Embassy Suites revised 1993.
**10(37)	-Form of License Agreement for Hampton Inns revised 1993.
**10(38)	-Form of License Agreement for Hampton Inn & Suites.
10(39)	-Management Agreement dated as of December 17, 1986, between Hampton Inns, Inc. and Hampton/GHI Associates No. 1. (10)
10(40)	-Form of Management Agreement between Embassy Suites, Inc. and affiliates of General Electric Pension Trust. (10)
+10(41)	-Employment Agreement dated August 1, 1987 between Holiday Corporation and Michael D. Rose; Amendment to Employment Agreement dated as of January 31, 1990 between The Promus Companies Incorporated and Michael D. Rose. (12)
+10(42)	-Amended and Restated Severance Agreement dated as of May 1, 1992 between The Promus Companies Incorporated and Michael D. Rose. (18)
+10(43)	-Summary Plan Description of Executive Term Life Insurance Plan. (18)
+10(44)	-Forms of Stock Option (1990 Stock Option Plan). (12)
+10(45)	-Revised Forms of Stock Option (1990 Stock Option Plan). (18)
+10(46)	-Form of The Promus Companies Incorporated's Annual Bonus Plan, as amended, for Managers and Executives. (13)
+10(47)	-Forms of Restricted Stock Award (1990 Restricted Stock Plan). (12)
+10(48)	-Deferred Compensation Plan dated October 16, 1991. (15)
+10(49)	-Form of Deferred Compensation Agreement. (12)
+10(50)	-Form of Deferred Compensation Agreement revised November 1991. (15)
+10(51)	-Executive Deferred Compensation Plan. (12)
+10(52)	-First Amendment to Executive Deferred Compensation Plan, dated as of October 25, 1990. (13)
+10(53)	-Second Amendment to Executive Deferred Compensation Plan, dated as of October 25, 1991. (15)
+10(54)	-Third Amendment to Executive Deferred Compensation Plan, dated as of October 29, 1992. (18)
+10(55)	-Forms of Restricted Stock Award (1990 Restricted Stock Plan). (18)
+10(56)	-First Amendment to Escrow Agreement dated January 31, 1990 among Holiday Corporation, certain subsidiaries thereof and Sovran Bank, as escrow agent. (12)
+10(57)	-Escrow Agreement dated February 6, 1990 between The Promus Companies Incorporated, certain subsidiaries thereof, and Sovran Bank, as escrow agent. (12)
+10(58)	-Form of Amended and Restated Severance Agreement dated November 5, 1992, entered into with Charles A. Ledsinger, Jr., Ben C. Peternell, Philip G. Satre and Colin V. Reed. (18)
+10(59)	-Form of memorandum agreement dated July 2, 1991, eliminating stock appreciation rights under stock options held by Charles A. Ledsinger, Jr., Ben C. Peternell and Philip G. Satre. (14)
+10(60)	-The Promus Companies Incorporated Amended and Restated Savings and Retirement Plan dated as of February 6, 1990. (18)
+10(61)	-Administrative Regulations, Long Term Compensation Plan (Restricted Stock Plan and Stock Option Plan), dated as of January 1, 1992. (17)
+10(62)	-Amendment dated October 29, 1992 to The Promus Companies Incorporated Savings and Retirement Plan Trust Agreement; Amendment dated September 21, 1992 to The Promus Companies Incorporated Savings and Retirement Plan Trust Agreement (18)
+10(63)	-Revised Form of Stock Option. (21)
+10(64)	-The Promus Companies Incorporated 1990 Stock Option Plan (as amended as of April 30, 1993). (20)

** Filed herewith

+ Management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 14(a)(3) of Form 10-K.

NO.	
**10(65)	-Limited Partnership Agreement of Des Plaines Limited Partnership between Harrah's Illinois Corporation and John Q. Hammons, dated February 28, 1992; First Amendment to Limited Partnership Agreement of Des Plaines Limited Partnership dated as of October 5, 1992.
+**10(66)	-Amendment to Escrow Agreement dated as of October 29, 1993 among The Promus Companies Incorporated, certain subsidiaries thereof, and NationsBank, formerly Sovran Bank.
**10(67)	-Amended and Restated Partnership Agreement of Harrah's Jazz Company, dated as of March 15, 1994, among Harrah's New Orleans Investment Company, New Orleans/Louisiana Development Corporation and Grand Palais Casino, Inc.; First Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company, effective as of March 15, 1994.
10(68)	-Form of Ground Lease by and among Harrah's Jazz Company, Rivergate Development Corporation and the City of New Orleans. (23)
10(69)	-Form of General Development Agreement among Harrah's Jazz Company, Rivergate Development Corporation and the City of New Orleans. (23)
10(70)	-Form of Temporary Casino Lease by and among Harrah's Jazz Company, Rivergate Development Corporation and the City of New Orleans. (23)
10(71)	-Form of Casino Management Agreement between Harrah's Jazz Company and Harrah's New Orleans Management Company. (23)
**11	-Computations of per share earnings.
**12	-Computations of ratios.
**13	-Portions of Annual Report to Stockholders for the fiscal year ended December 31, 1993. (24)
**21	-List of subsidiaries of The Promus Companies Incorporated.
99(1)	-Proxy Statement--Information Statement--Prospectus dated December 13, 1989 of Holiday Corporation, The Promus Companies Incorporated and Bass Public Limited Company. (12)

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** Filed herewith

+ Management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 14(a)(3) of Form 10-K.

FOOTNOTES

(1) Incorporated by reference from the Company's Registration Statement on Form 10, File No. 1-10410, filed on December 13, 1989.

(2) Incorporated by reference from the Company's Current Report on Form 8-K dated February 16, 1990, File No. 1-10410.

(3) Incorporated by reference from Holiday Corporation's Annual Report on Form 10-K for the fiscal year ended January 1, 1988, filed March 31, 1988, File No. 1-8900.

(4) Incorporated by reference from Holiday Inns, Inc.'s Registration Statement on Form S-3, File No. 33-11770, filed February 24, 1987.

(5) Incorporated by reference from Holiday Inns, Inc's Registration Statement on Form S-3, File No. 33-11163, filed December 31, 1986.

(6) Incorporated by reference from the Company's and Embassy Suites, Inc.'s Amendment No. 2 to Form S-4 Registration Statement, File No. 33-49509-01, filed July 16, 1993.

(7) Incorporated by reference from Holiday Inns, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 30, 1983, filed March 21, 1984, File No. 1-4804.

(8) Incorporated by reference from Holiday Corporation's Annual Report on Form 10-K for the fiscal year ended December 30, 1988, filed March 30, 1989, File No. 1-8900.

(9) Incorporated by reference from Holiday Corporation's Annual Report on Form 10-K for the fiscal year ended January 3, 1986, filed March 28, 1986, File No. 1-8900.

(10) Incorporated by reference from Holiday Corporation's Annual Report on Form 10-K for the fiscal year ended January 2, 1987, filed March 27, 1987, File No. 1-8900.

(11) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993, filed May 13, 1993, File No. 1-10410.

(12) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1989, filed March 28, 1990, File No. 1-10410.

(13) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 1990, filed March 21, 1991, File No. 1-10410.

(14) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 1991, filed November 8, 1991, File No. 1-10410.

(15) Incorporated by reference from Amendment No. 2 to the Company's and Embassy's Registration Statement on Form S-1, file No. 33-43748, filed March 18, 1992.

(16) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 1992, filed March 26, 1992, File No. 1-10410.

(17) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992, filed May 13, 1992, File No. 1-10410.

(18) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992, filed March 12, 1993, File No. 1-10410.

(19) Incorporated by reference from the Company's Current Report on Form 8-K filed August 6, 1993, File No. 1-10410.

(20) Incorporated by reference from Post-Effective Amendment No. 1 to Form S-8 Registration Statement, File No. 33-32864-01, filed July 22, 1993.

(21) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993, filed August 12, 1993, File No. 1-10410.

(22) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993, filed November 12, 1993, File No. 1-10410.

(23) Incorporated by reference from Amendment No. 1 to Form S-1 Registration Statement, File No. 33-73370, filed February 22, 1994.

(24) Filed herewith to the extent provisions of such report are specifically incorporated herein by reference.

HOMEWOOD SUITES DIVISION
6800 POPLAR AVENUE, SUITE 200
MEMPHIS, TENNESSEE 38138

HOMEWOOD SUITES(R)
LICENSE AGREEMENT

dated _____, 19__ between Homewood Suites Division of Embassy Suites, Inc., a Delaware corporation ("Licensor"), and _____

_____

a _____ individual / corporation / partnership ("Licensee"), whose address is_____

_____.

THE PARTIES AGREE AS FOLLOWS:

1. The License.

Licensor owns, operates and licenses a system designed to provide a distinctive, high quality hotel service to the public under the name "Homewood Suites" (the "System"). High standards established by Licensor are the essence of the System. Future investments may be required of Licensee under this Agreement. Licensee has independently investigated the risks of the business to be operated hereunder, including current and potential market conditions, competitive factors and risks, has read Licensor's "Offering Circular for Prospective Franchisees", and has made an independent evaluation of all such facts. Aware of the relevant facts, Licensee desires to enter into this Agreement in order to obtain a license to use the System in the operation of a hotel (the "Hotel") located at

_____.

a. The Hotel. The Hotel comprises all structures, facilities, appurtenances, furniture, fixtures, equipment, and entry, exit, parking and other areas from time to time located on the land identified on the plot plan most recently submitted to and acknowledged by Licensor in anticipation of the execution of this Agreement, or located on any land from time to time approved by Licensor for additions, signs or other facilities. The Hotel now includes the facilities listed on Attachment A hereto. No change in the number of approved suites or double bedded bedrooms (suites and double bedded bedrooms are hereinafter referred to collectively as "Suites") and no other significant change in the Hotel may be made without Licensor's approval. Redecoration and minor structural changes that comply with Licensor's standards and specifications will not be considered significant. Licensee represents that it is entitled to possession of the Hotel during the entire License Term without restrictions that would interfere with anything contemplated in this Agreement.

b. The System. The System is composed of elements, as designated from time to time by Licensor, designed to identify Homewood Suites hotels to the consuming public and/or to contribute to such identification and its association with quality standards. The System at present includes the service mark "Homewood Suites" and such other service marks and such copyrights, trademarks and similar property rights as may be designated from time to time by Licensor to be part of the System; access to a reservation service; distribution of advertising, publicity and other marketing programs and materials; furnishing of training programs and materials; standards, specifications and policies for construction, furnishing, operation, appearance and service of the Hotel, and other requirements as stated or referred to in this Agreement and from time to time in Licensor's Standards Manual (the "Manual") or in other communications to Licensee; and programs for inspecting the Hotel and consulting with Licensee. Licensor may add elements to the System or modify, alter or delete elements of the System at its sole discretion from time to time.

2. Grant of License. Licensor hereby grants to Licensee a nonexclusive license (the "License") to use the System only at the Hotel, only in accordance with this Agreement and only during the "License Term" beginning with the date hereof and terminating as provided in Paragraph 10 hereof. The License applies to the location of the Hotel specified herein and no other. This Agreement does not limit Licensor's right, or the rights of any parent, subsidiary, division or affiliate of Licensor, to use or license to others the System or any part thereof or to engage in or license any business activity at any other location. Licensee acknowledges that Licensor, its parent, subsidiaries, divisions and affiliates are and may in the future be engaged in other business activities including activities involving transient lodging and related activities which may be or may be deemed to be competitive with the System; that facilities, programs, services and/or personnel used in connection with the System may also be used in connection with such other business activities of Licensor, its parent, subsidiaries, divisions or affiliates; and that Licensee is acquiring no rights hereunder other than the right to use the System as specifically defined herein in accordance with the terms of this Agreement.

3. Licensee's Responsibilities.

a. Operational and Other Requirements. During the License Term, Licensee will:

(1) maintain a high moral and ethical standard and atmosphere at the Hotel;

(2) maintain the Hotel in a clean, safe and orderly manner and in first class condition;

(3) provide efficient, courteous and high-quality service to the public;

(4) operate the Hotel 24 hours a day every day except as otherwise permitted by Licensor based on special circumstances;

(5) strictly comply in all respects with the Manual and with all other policies, procedures and requirements of Licensor which may be from time to time communicated to Licensee;

(6) strictly comply with Licensor's reasonable requirements to protect the System and the Hotel from unreliable sources of supply;

(7) strictly comply with Licensor's requirements as to:

(a) the types of services and products that may be used, promoted or offered at the Hotel;

(b) the types and quality of services and products that, to supplement services listed on Attachment A, must be used, promoted or offered at the Hotel;

(c) use, display, style and type of signage;

(d) directory and reservation service listings of the Hotel;

(e) training of persons to be involved in the operation of the Hotel;

(f) participation in all marketing, reservation service, advertising, training and operating programs designated by Licensor as Systemwide (or area-wide) programs in the best interests of hotels using the System;

(g) maintenance, appearance and condition of the Hotel; and

(h) quality and type of service offered to customers at the Hotel.

(8) use such automated guest service and/or hotel management and/or telephone system(s) which Licensor deems to be in the best interests of the System, including any additions, enhancements, supplements or variants thereof which may be developed during the term hereof;

(9) participate in and use those reservation services which Licensor deems to be in the best interests of the System, including any additions, enhancements, supplements or variants thereof which may be developed during the term hereof;

(10) adopt improvements or changes to the System as may be from time to time designated by Licensor;

(11) strictly comply with all governmental requirements including the filing and maintenance of any required trade name or fictitious name registrations, pay all taxes, and maintain all governmental licenses and permits necessary to operate the Hotel in accordance with the System;

(12) permit inspection of the Hotel by Licensor's representatives at any time and give them free lodging for such time as may be reasonably necessary to complete their inspections;

(13) promote the Hotel on a local or regional basis subject to Licensor's requirements as to form, content and prior approvals;

(14) insure that no part of the Hotel or the System is used to further or promote a competing business or other lodging facility, except as Licensor may approve for those competing businesses or lodging facilities owned, licensed, operated or otherwise approved by Licensor or its parent, divisions, subsidiaries and/or affiliates;

(15) use every reasonable means to encourage use of Homewood Suites facilities everywhere by the public;

(16) in all respects use Licensee's best efforts to reflect credit upon and create favorable public response to the name "Homewood Suites"; and

(17) promptly pay to Licensor all amounts due Licensor, its parent, divisions, subsidiaries and/or affiliates as royalties or fees or for goods or services purchased by Licensee; and

(18) comply with Licensor's requirements concerning confidentiality of information.

b. Upgrading of the Hotel. Licensor may at any time during the term hereof require substantial modernization, rehabilitation and other upgrading of the Hotel. Limited exceptions from those standards may be made by Licensor based on local conditions or special circumstances. If the upgrading requirements contained in this Paragraph 3.b. cause Licensee undue hardship, Licensee may terminate this Agreement by paying a fee computed according to Paragraph 10.f.

c. Fees.

(1) For each month (or part of a month) during the License Term, Licensee will pay to Licensor by the 15th of the following month:

(a) a royalty fee of 4 percent of the gross revenues attributable to or payable for rental of Suites at the Hotel with deductions for sales and room taxes only ("Gross Rooms Revenue");

(b) a "Marketing/Reservation Contribution" of 4 percent of Gross Rooms Revenue), this contribution being subject to change by Licensor from time to time, which payments do not include the cost of reservation services equipment or installation or maintenance of it or training; and

(c) an amount equal to any sales, gross receipts or similar tax imposed on Licensor and calculated solely on payment required hereunder, unless the tax is an optional alternative to an income tax otherwise payable by Licensor.

Licensee will operate the Hotel so as to maximize Gross Rooms Revenue of the Hotel consistent with sound marketing and industry practice and will not engage in any conduct which reduces Gross Rooms Revenue of the Hotel in order to further other business activities.

(2) Additional royalties may be charged on revenues (or upon any other basis, if so determined by Licensor) from any activity if it is added at the Hotel by mutual agreement and:

(a) it is not now offered at System hotels generally and it is likely to benefit significantly from or be identified significantly with the Homewood Suites name or other aspects of the System; or

(b) it is designed or developed by or for Licensor.

(3) Charges may be made by Licensor for optional products or services accepted by Licensee from Licensor either in accordance with current practice or as developed in the future.

(4) A standard initial fee for Suite additions to a hotel as set forth in Licensor's then current "Offering Circular for Prospective Franchisees" shall be paid by Licensee to Licensor on Licensee's submission of an application to add any Suites to the Hotel. As a condition to Licensor granting its approval of such application, Licensor may require Licensee to upgrade the Hotel, subject to Paragraph 3.b.

(5) Local and regional marketing programs and related activities may be conducted by Licensee, but only at Licensee's expense and subject to Licensor's requirements. Reasonable charges may be made by Licensor for optional advertising materials ordered or used by Licensee for such programs and activities.

(6) Licensee shall participate in Licensor's travel agent commission program(s) as it may be modified from time to time and shall reimburse Licensor on or before the 15th of each month for travel agent commissions paid by Licensor.

(7) Each payment under this Paragraph 3.c. shall be accompanied by the monthly statement referred to in Paragraph 6. Licensor may apply any amounts received under this paragraph to any amounts due under this Agreement. If any amounts are not paid when due, such non-payment shall constitute a breach of this Agreement and, in

addition, such unpaid amounts will accrue interest beginning on the first day of the month following the due date at 1 1/2 percent per month but not to exceed the maximum interest permitted by applicable law.

4. Licensor's Responsibilities.

a. Training. During the License Term, Licensor will continue to specify and provide required and optional training programs at various locations. Reasonable charges may be made for required training services and materials. Charges may also be made by Licensor for optional training services and materials provided to Licensee. Travel, lodging and other expenses of Licensee and its employees will be borne by Licensee.

b. Reservation Services. During the License Term, so long as Licensee is in full compliance with its material obligations hereunder, Licensor will afford Licensee access to reservation services for the Hotel.

c. Consultation on Operations, Facilities and Marketing. Licensor will, from time to time at Licensor's sole discretion, make available to Licensee consultation and advice in connection with operations, facilities and marketing. Licensor shall have the right to establish fees in advance for its advice and consultation on a project-by-project basis.

d. Use of Marketing/Reservation Contribution. The Marketing/Reservation Contribution will be used by Licensor for costs associated with advertising, promotion, publicity, market research and other marketing programs and related activities, including reservation programs and services. Licensor is not obligated to expend funds for marketing or reservation services in excess of the amounts received from licensees using the System.

e. Application of Manual. All hotels operated under the System will be subject to the Manual, as it may from time to time be modified or revised by Licensor, including limited exceptions which may be made by Licensor based on local conditions or special circumstances. Each change in the Manual must be explained in writing to Licensee at least 30 days before it goes into effect.

f. Other Arrangements for Marketing, Etc. Licensor may enter into arrangements for development, marketing, operations, administrative, technical and support functions, facilities, programs, services and/or personnel with any other entity and may use any facilities, programs, services and/or personnel used in connection with the System in connection with any business activities of its parent, subsidiaries, divisions or affiliates.

g. Compliance Assistance. If the Hotel fails to comply with the standards and rules of operation set forth in the Manual, Licensor may, at its option and at Licensee's cost, meet with the Licensee at the Hotel to develop a plan to ensure that the Hotel thereafter complies with the standards and rules of operation set forth in the Manual.

5. Proprietary Rights.

a. Ownership of System. Licensee acknowledges and will not contest, either directly or indirectly, Licensor's unrestricted and exclusive ownership of the System and any element(s) or component(s) thereof, and acknowledges that Licensor has the sole right to grant licenses to use all or any element(s) or component(s) of the System. Licensee specifically agrees and acknowledges that Licensor is the owner of all right, title and interest in and to the service mark "Homewood Suites" and all other marks associated with the System together with the goodwill symbolized thereby and that Licensee will not contest directly or indirectly the validity or ownership of the marks either during the term of this Agreement or at any time thereafter. All improvements and additions whenever made to or associated with the System by the parties to this Agreement or anyone else,

and all service marks, trademarks, copyrights, and service mark and trademark registrations at any time used, applied for or granted in connection with the System, and all goodwill arising from Licensee's use of Licensor's marks shall inure to the benefit of and become the property of Licensor. Upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Licensee's use of the System or any element(s) or component(s) of the System including the name or marks.

b. Trademark Disputes. Licensor will have the sole right and responsibility to handle disputes with third parties concerning use of all or any part of the System, and Licensee will, at its reasonable expense, extend its full cooperation to Licensor in all such matters. All recoveries made as a result of disputes with third parties regarding use of the System or any part thereof shall be for the account of Licensor. Licensor need not initiate suit against alleged imitators or infringers and may settle any dispute by grant of a license or otherwise. Licensee will not initiate any suit or proceeding against alleged imitators or infringers or any other suit or proceeding to enforce or protect the System.

c. Protection of Name and Marks. Both parties will make every effort consistent with the foregoing to protect and maintain the name and mark "Homewood Suites" and its distinguishing characteristics (and the other service marks, trademarks, slogans, etc., associated with the System). Licensee agrees to execute any documents deemed necessary by Licensor or its counsel to obtain protection for Licensor's marks or to maintain their continued validity and enforceability. Licensee agrees to use the names and marks associated with the System only in the manner authorized by Licensor and acknowledges that any unauthorized use thereof shall constitute infringement of Licensor's rights.

6. Records and Audits.

a. Monthly Reports. At least monthly, Licensee shall prepare a statement which will include all information concerning Gross Rooms Revenue, other revenues generated at the Hotel, room occupancy rates, reservation data and other information required by Licensor that may be useful in connection with marketing and other functions of Licensor, its parent, subsidiaries, divisions or affiliates (the "Data"). The Data shall be the property of Licensor. The Data will be permanently recorded and retained as may be reasonably required by Licensor. By the 15th of each month, Licensee will submit to Licensor a statement setting forth the Data for the previous month and reflecting the computation of the amounts then due under Paragraph 3.c. The statement will be in such form and detail as Licensor may reasonably request from time to time, and may be used by Licensor for its reasonable purposes.

b. Daily Reports. At the request of Licensor, Licensee shall prepare and deliver daily reports to Licensor, which reports will contain information reasonably requested by Licensor on a daily basis, such as daily rate and room occupancy, and which may be used by Licensor for its reasonable purposes.

c. Preparation and Maintenance of Records. Licensee shall, in a manner and form satisfactory to, Licensor and utilizing accounting and reporting standards as reasonably required by Licensor, prepare on a current basis (and preserve for no less than four years), complete and accurate records concerning Gross Rooms Revenue and all financial, operating, marketing and other aspects of the Hotel, and maintain an accounting system which fully and accurately reflects all financial aspects of the Hotel and its business. Such records shall include but not be limited to books of account, tax returns, governmental reports, register tapes, daily reports, and complete quarterly and annual financial statements (profit and loss statements, balance sheets and cash flow statements).

d. Audit. Licensor may require Licensee to have the Gross Rooms Revenue

or other monies due hereunder computed and certified as accurate by a certified public accountant. During the License Term and for two years thereafter, Licensor and its authorized agents shall have the right to verify information required under this Agreement by requesting, receiving, inspecting and auditing, at all reasonable times, any and all records referred to above wherever they may be located (or elsewhere if reasonably requested by Licensor). If any such inspection or audit discloses a deficiency in any payments due hereunder, Licensee shall immediately pay to Licensor the deficiency and Licensee shall also immediately pay to Licensor the entire cost of the inspection and audit, including but not limited to travel, lodging, meals, salaries and other expenses of the inspecting or auditing personnel. Licensor's acceptance of Licensee's payment of any deficiency as provided for herein shall not waive Licensor's right to terminate this Agreement as provided for herein in Paragraph 10. If the audit discloses an overpayment, Licensor shall immediately refund it to Licensee.

e. Annual Financial Statements. Licensee will submit to Licensor as soon as available but not later than 90 days after the end of Licensee's fiscal year, complete financial statements for such year. Licensee will certify them to be true and correct and to have been prepared in accordance with generally accepted accounting principles consistently applied, and any false certification will be a breach of this Agreement.

7. Indemnity and Insurance.

a. Indemnity. Licensee will indemnify, during and after the term of this Agreement, Licensor, its parent, and their respective subsidiaries, divisions and affiliates and their officers, directors, employees, agents, successors and assigns against, hold them harmless from, and promptly reimburse them for, all payments of money (fines, damages, legal fees, expenses, etc.) by reason of any claim, demand, tax, penalty, or judicial or administrative investigation or proceeding (even where negligence of Licensor and/or its parent, and/or their subsidiaries, divisions and affiliates and/or their officers, directors, employees, agents, successors and assigns is actual or alleged) arising from any claimed occurrence at the Hotel or arising from, as a result of or in connection with the design, construction, furnishings, equipment and acquisition of supplies or any other of Licensee's acts, omissions or obligations or those of anyone associated or affiliated with Licensee or the Hotel. At the election of Licensor, Licensee will also defend Licensor and/or its parent, and their subsidiaries, divisions and affiliates and their officers, directors, employees, agents, successors and assigns against same. In any event, Licensor will have the right, through counsel of its choice, to control any matter to the extent it could directly or indirectly affect Licensor and/or its parent and their subsidiaries, divisions and affiliates and their officers, directors, employees, agents, successors and assigns financially. Licensee will also reimburse Licensor for all expenses, including attorneys' fees and court costs, reasonably incurred by Licensor to protect itself and/or its parent, and their subsidiaries, divisions and affiliates and/or their officers, directors, employees, agents and their successors and assigns from, or to remedy Licensee's defaults under this Agreement.

b. Insurance. During the License Term, Licensee will comply with all insurance requirements of any lease or mortgage covering the Hotel, and Licensor's specifications for insurance as to amount and type of coverage as may be reasonably specified by Licensor from time to time in writing, and will in any event maintain as a minimum the following insurance underwritten by an insurer approved by Licensor:

(1) employer's liability and workers' compensation insurance as prescribed by applicable law; and

(2) liquor liability insurance naming Licensor, Embassy Suites, Inc. and The Promus Companies Incorporated as additional insureds with single-limit coverage for personal and bodily injury and property

damage of at least $10,000,000 for each occurrence; and

(3) comprehensive general liability insurance (with products, completed operations and independent contractors coverage) and comprehensive automobile liability insurance, all on an occurrence basis naming Licensor, Embassy Suites, Inc. and The Promus Companies Incorporated as additional insureds and underwritten by an insurer approved by Licensor, with single-limit coverage for personal and bodily injury and property damage of at least $10,000,000 for each occurrence. In connection with all significant construction at the Hotel during the License Term, Licensee will cause the general contractor to maintain with an insurer approved by Licensor comprehensive general liability insurance (with products, completed operations and independent contractors coverage) in at least the amount of $10,000,000 for each occurrence with Licensor, Embassy Suites, Inc. and The Promus Companies Incorporated named as additional insureds.

c. Changes in Insurance. Simultaneously herewith, annually hereafter and each time a change is made in any insurance or insurance carrier, Licensee will furnish to Licensor certificates of insurance including the term and coverage of the insurance in force, the persons insured, and the fact that the coverage may not be cancelled, altered or permitted to lapse or expire without 30 days' advance written notice to Licensor.

8. Transfer.

a. Transfer by Licensor. Licensor shall have the right to transfer or assign this Agreement or any of Licensor's rights or obligations hereunder to any person or legal entity.

b. Transfer by Licensee. Licensee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Licensee, and that Licensor has entered into this Agreement in reliance on the business skill, financial capacity, and personal character of Licensee (if Licensee is an individual), and that of the partners or stockholders of Licensee (if Licensee is a partnership or corporation). Accordingly, neither Licensee nor any immediate or remote successor to any part of Licensee's interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns an equity interest (as that term is defined herein) in Licensee, shall sell, assign, transfer, convey, pledge, mortgage, encumber, or give away any direct or indirect interest in this Agreement or equity interest in Licensee, except as provided in this Agreement. Any purported sale, assignment, transfer, conveyance, pledge, mortgage, or encumbrance, by operation of law or otherwise, of any interest in this Agreement or any equity interest in Licensee not in accordance with the provisions of this Agreement, shall be null and void and shall constitute a material breach of this Agreement, for which Licensor may terminate this Agreement upon notice without opportunity to cure, pursuant to Paragraph 10.d.(4).

(1) For the purposes of this Paragraph 8, the term "equity interest" shall mean any stock or partnership interest in Licensee, the interest of any partner, whether general or limited, in any partnership, with respect to such partnership, and any stockholder of any corporation with respect to such corporation, which partnership or corporation is the Licensee hereunder or which partnership or corporation owns a direct or indirect beneficial interest in Licensee. References in this Agreement to "publicly-traded equity interest" shall mean any equity interest which is traded on any securities exchange or is quoted in any publication or electronic reporting service maintained by the National Association of Securities Dealers, Inc. or any of its successors.

(2) If Licensee is a partnership or corporation, Licensee represents that the equity interests in Licensee are directly and (if applicable)

indirectly owned as shown in Attachment A hereto.

c. Transfer of Equity Interests that are not Publicly Traded.

(1) Except where otherwise provided in this Agreement, equity interests in Licensee that are not publicly traded may be transferred, issued, or eliminated with Licensor's prior written consent, which will not be unreasonably withheld, provided that, after the transaction:

(a) 50 percent or less of all equity interests in Licensee will have changed hands since Licensee first became a party to this Agreement, or

(b) 80 percent or less of all equity interests in Licensee will have changed hands since Licensee first became a party to this Agreement, and no equity interest will be held by other than those who held them when Licensee first became a party to this Agreement.

(2) In computing the percentages referred to in Paragraph 8.c.(1) above, limited partners will not be distinguished from general partners, and Licensor's judgment will be final if there is any question as to the definition of "equity interest" or as to the computation of relative equity interests, the principal considerations being:

(a) Direct and indirect power to exercise control over the affairs of Licensee; and

(b) Direct and indirect right to share in Licensee's profits; and

(c) Amounts directly or indirectly exposed to risk in Licensee's business.

d. Transfers of Publicly-Traded Equity Interests.

(1) Except as otherwise provided in this Agreement, publicly-traded equity interests in the Licensee may be transferred without the Licensor's consent, but only if:

(a) Immediately before the proposed transfer, the transferor owns less than 25 percent of the equity interest of Licensee; and

(b) Immediately after the transfer the transferee will own less than 25 percent of the equity interest in Licensee; and

(c) The transfer is exempt from registration under federal securities law.

(2) Publicly-traded equity interests may be transferred with Licensor's written consent, which may not be unreasonably withheld, if the transfer is exempt from registration under federal securities law.

(3) The chief financial officer of Licensee shall certify annually to Licensor that Licensee is in compliance with the provisions of this Paragraph 8.d. Such certification shall be delivered to Licensor with the Annual Financial Statements referred to in Paragraph 6.e. hereof.

e. Transfer of the License.

(1) Licensee, if a natural person, may with Licensor's consent, which will not be unreasonably withheld, transfer the License to Licensee's spouse, parent, sibling, niece, nephew, descendant, or spouse's

descendant, provided that:

(a) Adequate provision is made for management of the Hotel; and

(b) The transferee executes a new license agreement for the unexpired term of this Agreement, on the standard form then being used to license new hotels under the System, except that the fees charged then shall be the same as those contained herein; and

(c) Licensee guarantees, in Licensor's usual form, the performance of the transferee's obligations under the newly-executed license agreement.

(2) If Licensee is a natural person, he may, without the consent of Licensor, upon 30 days prior written notice to Licensor, transfer the License to a corporation entirely owned by him, provided that:

(a) Adequate provision is made for management of the Hotel; and

(b) The transferee executes a new license agreement for the unexpired term of this Agreement, on the standard form then being used to license new hotels under the System, except that the fees charged then shall be the same as those contained herein; and

(c) The Licensee guarantees, in Licensor's usual form, the performance of the transferee's obligations under the newly-executed license agreement.

f. Transfers of the License or Equity Interest in Licensee Upon Death.

(1) If Licensee is a natural person, upon the Licensee's death, the License will pass in accordance with Licensee's will, or, if Licensee dies intestate, in accordance with laws of intestacy governing the distribution of the Licensee's estate, provided that:

(a) Adequate provision is made for management of the Hotel; and

(b) Licensor gives written consent, which consent will not be unreasonably withheld; and

(c) The transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants, or spouse's descendants; and

(d) Licensee's heirs or legatees promptly advise Licensor and promptly execute a new license agreement for the unexpired term of this Agreement, on the standard form then being used to license new hotels under the System, except the fees charged thereunder shall be the same contained herein.

(2) If an equity interest is owned by a natural person, the equity interest will pass upon such person's death in accordance with such person's will or, if such person dies intestate, in accordance with the laws of intestacy governing the distribution of such person's estate, provided that:

(a) Adequate provision is made for management of the Hotel; and

(b) Licensor gives written consent, which consent will not be unreasonably withheld; and

(c) The transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants, or spouse's descendants; and

(d) The transferee assumes, in writing, on a continuing basis,

the decedent's guarantee, if any, of Licensee's obligations hereunder.

g. Registration of a Proposed Transfer of Equity Interests. If a proposed transfer of an equity interest in Licensee requires registration under any federal or state securities law, Licensee shall:

(1) Request Licensor's consent at least 45 days before the proposed effective date of the registration; and

(2) Accompany such request with one payment of a nonrefundable fee of $25,000; and

(3) Reimburse Licensor for expenses incurred by Licensor in connection with review of the materials concerning the proposed registration, including without limitation, attorneys' fees and travel expenses; and

(4) Agree, and all participants in the proposed offering subject to registration shall agree, to fully indemnify Licensor in connection with the registration; furnish Licensor all information requested by Licensor; avoid any implication of Licensor's participating in, or endorsing the offering; and use Licensor's service marks and trademarks only as directed by Licensor.

h. Management of the Hotel. Licensee must at all times retain and exercise direct management control over the Hotel's business. Licensee shall not enter into any lease, management agreement or other similar arrangement for the operation of the Hotel or any part thereof (including without limitation, food and/or beverage service facilities), with any independent entity without the prior consent of Licensor.

i. Application for New License Agreement upon Transfer of the Hotel.

(1) If Licensee wishes to transfer the Hotel, or any interest of Licensee in the Hotel, Licensee shall give prompt written notice thereof to Licensor, stating the identity of the prospective transferee and the terms and conditions of the transfer, including a copy of any proposed agreement and all other information with respect thereto, which Licensor may reasonably require.

(2) If Licensee proposes to transfer the Hotel or any interest of Licensee in the Hotel to a transferee who desires thereafter to operate the Hotel under the System, the proposed transferee must, with Licensee's consent, apply for a new license agreement to replace this Agreement for a term to be determined by Licensor. Licensor shall process the application in good faith and in accordance with procedures, criteria and requirements regarding fees, upgrade of the Hotel, credit, operational abilities and capabilities, prior business dealings, if any, with Licensor, market feasibility and other factors deemed relevant by Licensor, then being applied by Licensor in issuing new licenses to use the System. If the application is approved, Licensor and the transferee shall, upon surrender of this Agreement, enter into a commitment agreement to govern the Hotel until the time specified therein for the new license agreement to be entered into if the transferee fulfills specified upgrading and other requirements by that time. The new license agreement shall be on the standard form, and contain the standard terms (except for duration), then being used to license new hotels under the System. If the application is not approved by Licensor, then this Agreement shall terminate pursuant to Paragraph 10.d. hereof and Licensor shall be entitled to all of its remedies.

9. Condemnation and Casualty.

a. Condemnation. Licensee shall, at the earliest possible time, give Licensor full notice of any proposed taking by eminent domain. If Licensor agrees that the Hotel or a substantial part thereof is to be taken, Licensor will give due and prompt consideration, without any obligation, to transferring this Agreement to a nearby location selected by Licensee and approved by Licensor as promptly as reasonably possible, and in any event within four months of the taking. If the new location is approved by Licensor and the transfer authorized by Licensor and if Licensee opens a new hotel at the new location in accordance with Licensor's specifications within two years of the closing of the Hotel, the new hotel will thenceforth be deemed to be the Hotel licensed under this Agreement. If a condemnation takes place and a new hotel does not, for whatever reason, become the Hotel under this Agreement in strict accordance with this paragraph (or if it is reasonably evident to Licensor that such will be the case), this Agreement will terminate forthwith upon notice thereof by Licensor to Licensee, without the payment of liquidated damages hereunder.

b. Casualty. If the Hotel is damaged by fire or other casualty, Licensee will expeditiously repair the damage. If the damage or repair requires closing the Hotel, Licensee will immediately notify Licensor, will repair or rebuild the Hotel in accordance with Licensor's standards, will commence reconstruction within four months after closing, and will reopen the Hotel for continuous business operations as soon as practicable (but in any event within 24 months after closing of the Hotel), giving Licensor ample advance notice of the date of reopening. If the Hotel is not reopened in accordance with this paragraph, this Agreement will forthwith terminate upon notice thereof by Licensor to Licensee, with the payment of liquidated damages calculated in the manner set forth in Paragraph 10.f.

c. No Extensions of Term. Nothing in this Paragraph 9 will extend the License Term but Licensee shall not be required to make any payments pursuant to paragraphs 3.c.(1), (2) or (3) for periods during which the Hotel is closed by reason of condemnation or casualty.

10. Termination.

a. Expiration of Term. This Agreement will expire without notice 20 years from the date hereof, subject to earlier termination as set forth herein. The parties recognize the difficulty of ascertaining damages to Licensor resulting from premature termination of this Agreement, and have provided for liquidated damages in Paragraph 10.f. below, which liquidated damages represent the parties' best estimate as to the damages arising from the circumstances in which they are provided.

b. Permitted Termination Prior to Expiration of Term. Licensee may terminate this Agreement on its 10th or 15th anniversary by giving at least 12 but less than 15 months advance notice to Licensor accompanied by a lump sum payment (as liquidated damages and not as a penalty or in lieu of any other payments required under this Agreement) equal to the total of all amounts required under paragraphs 3.c.(1), (2) and (3) for the 24 calendar months of operation preceding the notice.

c. Termination by Licensor on Advance Notice.

(1) In accordance with notice from Licensor to Licensee, this Agreement will terminate (without any further notice unless required by law) or, at Licensor's sole discretion with notice from Licensor to Licensee, Licensor may suspend its services hereunder (including reservation services), provided that:

(a) the notice is given at least 30 days (or longer, if required by law) in advance of the termination date;

(b) the notice reasonably identifies one or more breaches of Licensee's obligations hereunder; and

(c) the breach(es) are not fully remedied within the time period specified in the notice.

(2) If during the then preceding 12 months Licensee shall have engaged in a violation of this Agreement for which a notice of termination was given and termination failed to take effect because the default was remedied, the period given to remedy defaults thereafter will, if and to the extent permitted by law, be 10 days instead of 30.

(3) In any judicial proceeding in which the validity of termination is at issue, Licensor will not be limited to the reasons set forth in any notice sent under this Paragraph.

(4) Licensor's notice of termination or suspension of services shall not relieve Licensee of its obligations hereunder.

d. Immediate Termination by Licensor. This Agreement may be immediately terminated upon notice from Licensor to Licensee (or at the earliest time permitted by applicable law), if:

(1) (a) Licensee or any guarantor of Licensee's obligations hereunder shall generally not pay its debts as they become due or shall admit in writing its inability to pay its debts, or shall make a general assignment for the benefit of creditors; or

(b) Licensee or any such guarantor shall commence any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property; or

(c) Licensee or any such guarantor shall take any corporate or other action to authorize any of the actions set forth above in paragraphs (a) or (b); or

(d) Any case, proceeding or other action against Licensee or any such guarantor shall be commenced seeking to have an order for relief entered against it as debtor, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency. reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, and such case, proceeding or other action (i) results in the entry of an order for relief against it which is not fully stayed within seven business days after the entry thereof or (ii) remains undismissed for a period of 45 days; or

(e) An attachment remaining on all or a substantial part of the Hotel or of Licensee's or any such guarantor's assets for 30 days; or

(f) Licensee or any such guarantor fails, within 60 days of the entry of a final judgment against Licensee in any amount exceeding $50,000, to discharge, vacate or reverse the judgment, or to stay execution of it, or if appealed, to discharge the judgment within 30 days after a final adverse decision in the appeal; or

(2) Licensee loses possession or the right to possession of all or a significant part of the Hotel, except as otherwise provided in Paragraph 9 hereof; or

(3) Licensee contests in any court or proceeding Licensor's ownership of the System or any part of it, or the validity of any service marks or trademarks associated with Licensor's business; or

(4) A breach of paragraph 8 hereof occurs; or

(5) Licensee fails to continue to identify itself to the public as a System hotel; or

(6) Any action is taken toward dissolving or liquidating Licensee or any such guarantor, if it is a corporation or partnership, except for death of a partner; or

(7) Licensee or any of its principals is, or is discovered to have been, convicted of a felony (or any other offense if it is likely to adversely reflect upon or affect the Hotel, the System, the Licensor, the Licensor's parent or its affiliates or subsidiaries in any way); or

(8) Licensee maintains false books and records of account or submits false reports or information to Licensor.

e. De-identification of Hotel Upon Termination. Licensee will take whatever action is necessary to assure that no use is made of any part of the System at or in connection with the Hotel or otherwise after the License Term ends. This will involve, among other things, returning to Licensor the Manual and all other materials proprietary to Homewood Suites and physical changes of distinctive System features of the Hotel, including removal of the primary freestanding sign down to the structural steel, and all other actions required to preclude any possibility of confusion on the part of the public that the Hotel is no longer using all or any part of the System or otherwise holding itself out to the public as a "Homewood Suites " hotel. Anything not done by Licensee in this regard within 30 days after termination of this Agreement may be done at Licensee's expense by Licensor or its agents, who may enter upon the premises of the Hotel for that purpose.

f. Payment of Liquidated Damages. If this Agreement terminates pursuant to paragraphs 3.b., 9.b., 10.c. or 10.d. above, Licensee will promptly pay Licensor (only as liquidated damages for the premature termination of this Agreement, and not as a penalty or as damages for breaching this Agreement or in lieu of any other payment) a lump sum equal to the total amounts required under paragraphs 3.c.(1), (2) and (3) during the 36 full calendar months of operation preceding the termination; or if the Hotel has not been in operation in the System for 36 full calendar months, the greater of: (i) 36 times the monthly average of such amounts, or (ii) 36 times such amounts as are due for the one full calendar month preceding such termination. If the Hotel has been authorized to open as a Homewood Suites hotel but has not been in operation for one full calendar month, the liquidated damages amount shall be equal to the product of the number of Suites in the Hotel multiplied by $3,000.00.

11. Agreement is Non-Renewable.

This Agreement is non-renewable.

12. Relationship of Parties.

a. No Agency Relationship. Licensee is an independent contractor. Neither party is the legal representative or agent of, or has the power to obligate (or has the right to direct or supervise the daily affairs of) the other for any purpose whatsoever. Licensor and Licensee expressly

acknowledge that the relationship intended by them is a business relationship based entirely on, and defined by, the express provisions of this Agreement and that no partnership, joint venture, agency, fiduciary or employment relationship is intended or created by reason of this Agreement.

b. Licensee's Notices to Public Concerning Independent Status. Licensee will take such steps as are necessary and such steps as Licensor may from time to time reasonably request to minimize the chance of a claim being made against Licensor for anything that occurs at the Hotel, or for acts, omissions or obligations of Licensee or anyone associated or affiliated with Licensee or the Hotel. Such steps may, for example, include giving notice in Suites, public rooms and advertisements, on business forms and stationery, etc., making clear to the public that Licensor is not the owner or operator of the Hotel and is not accountable for what happens at the Hotel. Unless required by law, Licensee will not use the word "Homewood" or any similar words in its corporate, partnership, or trade name, nor authorize or permit such use by anyone else. Licensee will not use the word "Homewood" or any other name or mark associated with the System to incur any obligation or indebtedness on behalf of Licensor.

13. Miscellaneous.

a. Severability and Interpretation. The remedies provided in this Agreement are not exclusive. In the event any provision of this Agreement is held to be unenforceable, void or voidable as being contrary to the law or public policy of the United States or any other jurisdiction entitled to exercise authority hereunder, all remaining provisions shall nevertheless continue in full force and effect unless deletion of the provision(s) deemed unenforceable, void or voidable impairs the consideration for this Agreement in a manner which frustrates the purpose of the parties or makes performance commercially impracticable. In the event any provision of this Agreement requires interpretation, such interpretation shall be based on the reasonable intention of the parties in the context of this transaction without interpreting any provision in favor of or against any party hereto by reason of the drafting of the party or its position relative to the other party. Any covenant, term or provision of this Agreement which, in order to effect the intent of the parties, must survive the termination of this Agreement, shall survive any such termination.

b. Binding Effect. This Agreement shall become valid when executed and accepted by Licensor at Memphis, Tennessee. It shall be deemed made and entered into in the state of Tennessee and shall be governed and construed under and in accordance with the laws of the state of Tennessee. In entering into this Agreement, Licensee acknowledges that it has sought, voluntarily accepted and become associated with Licensor who is headquartered in Memphis, Tennessee and that this Agreement contemplates and will result in business relationships with Licensor's headquarter's personnel. The choice of law designation permits, but does not require that all suits concerning this Agreement be filed in the state of Tennessee.

c. Exclusive Benefit. This Agreement is exclusively for the benefit of the parties hereto and it shall not give rise to liability to a third party, except as otherwise specifically set forth herein. No agreement between Licensor and anyone else is for the benefit of Licensee.

d. Entire Agreement. This is the entire Agreement (and supersedes all previous agreements including without limitation, any commitment agreement between the parties concerning the Hotel) between the parties relating to the Hotel. Neither Licensor nor any other person on Licensor's behalf has made any representation to Licensee concerning this Agreement or relating to the System, which representation is not fully set forth herein or in Licensor's "Offering Circular for Prospective Franchisees." No change in this Agreement will be valid unless in writing signed by both parties. No failure to require strict performance or to exercise any right or remedy hereunder will preclude requiring strict performance or exercising any

right or remedy in the future.

e. Licensor's Withholding of Consent. Licensor's consent, wherever required, may be withheld if any default by Licensee exists under this Agreement. Approvals and consents by Licensor will not be effective unless evidenced by a writing duly executed on behalf of Licensor.

f. Notices. Notices will be effective hereunder when and only when they are reduced to writing and delivered personally or mailed by Federal Express or other express delivery service or by certified mail to the appropriate party at its address first stated above or to such person and at such address as may be designated by notice hereunder.

g. General Release. Licensee and its respective heirs, administrators, executors, agents, representatives, and their respective successors and assigns, hereby release, remise, acquit and forever discharge Licensor and its parent, subsidiaries, divisions and affiliates and their officers, directors, employees, agents, representatives and their respective successors and assigns from any and all actions, claims, causes of action, suits, rights, debts, liabilities, accounts, agreements, covenants, contracts, promises, warrants, judgments, executions, demands, damages, costs and expenses, whether known or unknown at this time, of any kind or nature, absolute or contingent, if any there be, at law or in equity, on account of any matter, cause or thing whatsoever which has happened, developed or occurred at any time from the beginning of time to and including the date of Licensee's execution and delivery to Licensor of this Agreement. This release shall survive the termination of this Agreement. Licensee shall take whatever steps are necessary or appropriate to carry out the terms of this release upon Licensor's request.

h. Descriptive Headings. The descriptive headings in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision in this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first stated above.

LICENSEE:	LICENSOR:
_____	Homewood Suites Division of Embassy Suites Inc.
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

GUARANTY

As an inducement to Homewood Suites Division of Embassy Suites, Inc. ("Licensor") to execute the above License Agreement, the undersigned, jointly and severally, hereby unconditionally warrant to Licensor and its successors and assigns that all of Licensee's representations in the License Agreement and the application submitted by Licensee to obtain the License Agreement are true and guarantee that all of Licensee's obligations under the above License Agreement, including any amendments thereto whenever made (the "Agreement"), will be punctually paid and performed.

Upon default by Licensee or notice from Licensor, the undersigned will immediately make each payment and perform each obligation required of Licensee under the Agreement. Without affecting the obligations of the undersigned under this Guaranty, Licensor may without notice to the undersigned extend, modify or release any indebtedness or obligation of Licensee, or settle, adjust or compromise any claims against Licensee. The undersigned waive notice of amendment of the Agreement and notice of demand for payment or performance by Licensee.

Upon the death of an individual guarantor, the estate of such guarantor will be bound by this Guaranty but only for defaults and obligations hereunder existing at the time of death, and the obligations of the other guarantors will continue in full force and effect.

The Guaranty constitutes a guaranty of payment and performance and not of collection, and each of the guarantors specifically waives any obligation of Licensor to proceed against Licensee on any money or property held by Licensee or by any other person or entity as collateral security, by way of set off or otherwise. The undersigned further agree that this Guaranty shall continue to be effective or be reinstated as the case may be, if at any time payment or any of the guaranteed obligations is rescinded or must otherwise be restored or returned by Licensor upon the insolvency, bankruptcy or reorganization of Licensee or any of the undersigned, all as though such payment has not been made.

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty as of the date of the above Agreement.

Witnesses: Guarantors:

_____ _____ (Seal)

_____ _____ (Seal)

_____ _____ (Seal)

ATTACHMENT A

Facilities and Services (Paragraph 1):

Site --- Area and general description:

Fee owners (names and addresses):

Leases (parties, terms, etc.), if any:

Number of approved suites:

Other concessions and shops:

Parking facilities (number of spaces, description):

Swimming pool:

Other facilities and services:

Ownership of Licensee (Paragraph 8):

EMBASSY SUITES, INC.
850 Ridge Lake Blvd.
Suite 400
Memphis, TN 38120

EMBASSY SUITES(R)
LICENSE AGREEMENT

dated _____, 19__ between Embassy Suites, Inc. a Delaware corporation ("Licensor"), and _____ _____ a _____ resident corporation (Licensee"), whose _____ partnership address is _____.

THE PARTIES AGREE AS FOLLOWS:

1. The License.

Licensor owns, operates and licenses a system designed to provide a distinctive, high-quality hotel service to the public under the name "Embassy Suites" (the "System"). High standards established by Licensor are the essence of the System. Future investments may be required of Licensee under this Embassy Suites License Agreement ("this Agreement"). Licensee has independently investigated the risks of the business to be operated hereunder, including current and potential market conditions, competitive factors and risks, has read Licensor's "Offering Circular for Prospective Franchisees," and has made an independent evaluation of all such facts. Neither Licensor nor any other person on Licensor's behalf has made any representation to Licensee concerning this Agreement not fully set forth herein. Aware of the relevant facts, Licensee desires to enter into this Agreement in order to obtain a license to use the System in the operation of a hotel (the "Hotel") located at _____ _____ _____ _____.

A. The Hotel. The Hotel comprises all structures, facilities, appurtenances, furniture, fixtures, equipment, and entry, exit, parking and other areas from time to time located on the land identified on the plot plan most recently acknowledged by Licensor in anticipation of the execution of this Agreement, or located on any land from time to time approved by Licensor for additions, signs or other facilities. The Hotel now includes the facilities listed on Attachment A hereto. No change in the number of approved guest suites and no significant change in the Hotel may be made without Licensor's prior approval. Redecoration and minor structural changes that comply with Licensor's standards and specifications will not be considered significant. Licensee represents that it is entitled to possession of the Hotel during the entire License Term (as hereinafter defined) without restrictions that would interfere with anything contemplated in this Agreement.

B. The System. The System is composed of elements, as designated from time to time by Licensor, designed to identity "Embassy Suites hotels" to the consuming public and/or to contribute to such identification and its association with quality standards. The System at present includes the trademark "Embassy Suites" and such other service marks and copyrights, trademarks and similar property rights as may be designated from time to time by Licensor to be part of the System; access to a reservation service; distribution of advertising, publicity and other marketing programs and materials; the furnishing of training programs and materials; standards, specifications and policies for construction, furnishing, operation, appearance and service of the Hotel, and other requirements as stated or referred to in this Agreement and from time to time in Licensor's Standards Manual (the "Manual") or in other communications to Licensee; and programs for inspecting the Hotel and consulting with Licensee. Licensor may add elements to the System or modify, alter or delete elements of the System at its sole discretion from time to time.

2. Grant of License.

Licensor hereby grants to Licensee a nonexclusive license (the "License") to use the System only at the Hotel, only in accordance with the terms and conditions of this Agreement and only during the term of this Agreement (the "License Term") beginning with the date hereof and terminating under paragraph 12 hereof. This Agreement applies to the specified location and no other. This Agreement does not limit Licensor's right or the rights of any parent, subsidiary, division or affiliate of Licensor, to use or license the System or any part thereof or to engage in or license any business activity at any other location. Licensee acknowledges that Licensor, its divisions, subsidiaries and affiliates and parent are and may in the future be engaged in other business activities including activities involving transient lodging and related

activities which may be or may be deemed to be competitive with the System; that facilities, programs, services and/or personnel used in connection with the System may also be used in connection with such other business activities of Licensor, its parent, subsidiaries, divisions or affiliates; and that Licensee is acquiring no rights hereunder other than the right to use the System as specifically defined herein in accordance with the terms of this Agreement.

3. Licensee's Responsibilities.

A. Operational and Other Requirements. During the License Term, Licensee will:

(1) maintain a high moral and ethical standard and atmosphere at the Hotel;

(2) maintain the Hotel in a clean, safe and orderly manner and in first-class condition;

(3) provide efficient, courteous and high-quality service to the public;

(4) operate the Hotel 24 hours a day every day except as otherwise permitted by Licensor based on special circumstances;

(5) strictly comply in all respects with the Manual and with all other policies, procedures and requirements of Licensor which may be from time to time communicated to Licensee;

(6) strictly comply with Licensor's reasonable requirements to protect the System and the Hotel from unreliable sources of supply;

(7) strictly comply with Licensor's requirements as to:

(a) the types of services and products that may be used, promoted or offered at the Hotel;
(b) the types and quality of services and products that, to supplement services listed on Attachment A, must be used, promoted or offered at the Hotel;
(c) use, display, style and type of signage;
(d) directory and reservation service listings of the Hotel;
(e) training of persons to be involved in the operation of the Hotel;

(f) participation in all marketing, reservation service, advertising, training and operating programs designated by Licensor as System-wide programs in the best interests of hotels using the System;
(g) maintenance, appearance and condition of the Hotel; and
(h) quality and type of service offered to customers at the Hotel.

(8) use such automated guest service and/or hotel management and/or telephone system(s) which Licensor deems to be in the best interests of the System and adopts System-wide (including use in its own hotels), including any additions, enhancements, supplements or variants thereof which may be developed during the term hereof;

(9) participate in and use those reservation services which Licensor deems to be in the best interests of the System, including any additions, enhancements, supplements or variants thereof which may be developed during the term hereof;

(10) strictly comply with all requirements, improvements or changes to the System as may be from time to time designated by Licensor;

(11) strictly comply with all governmental requirements, including but not limited to the filing and maintenance of any required trade name or fictitious name registrations, pay all taxes, and maintain all governmental licenses and permits necessary to operate the Hotel in accordance with the System;

(12) permit inspection of the Hotel by Licensor's representatives at any time and give them free lodging for such time as may be reasonably necessary to complete their inspections;

(13) promote the Hotel on a local or regional basis subject to Licensor's requirements as to form, content and prior approvals;

(14) insure that no part of the Hotel or the System is used to further or promote a competing business or other lodging facility, except as Licensor may approve for those competing businesses or lodging facilities owned, licensed, operated or otherwise approved by Licensor, its parent or their respective divisions, subsidiaries and affiliates;

(15) use every reasonable means to encourage use of Embassy Suites facilities everywhere by the public;

(16) upon request by Licensor provide to Licensor statistics on hotel operations in the form specified by Licensor and using definitions specified by Licensor;

(17) in all respects use Licensee's best efforts to reflect credit upon and create favorable public response to the name "Embassy Suites";

18) promptly pay to Licensor all amounts due Licensor, its parent, subsidiaries, divisions and affiliates as royalties or fees or for goods or services purchased by Licensee; and

(19) comply with Licensor's requirements concerning confidentiality of information.

B. Upgrading of the Hotel. The Hotel shall be maintained in a first-class condition at all times. Using the Standards applicable to the System, Licensor may during the term hereof require substantial modernization, rehabilitation and other upgrading of the Hotel. Limited exceptions from those standards may be made by Licensor based on local conditions or special circumstances. If the upgrading requirements contained in this

paragraph 3.B cause Licensee undue hardship, Licensee may terminate this Agreement by paying a fee computed in accordance with paragraph 12.F.

C. Fees.

(1) For each month (or part of a month) during the License Term, Licensee will pay to Licensor by the 15th of the following month:

(a) a royalty of 4% of the gross revenues attributable to or payable for rental of guest suites at the Hotel with no deductions except for sales and room taxes ("Gross Suites Revenue"); and

(b) a "Marketing and Reservation Contribution" of 3.5% of Gross Suites Revenue (but no less then $1.75 per guest suite per night), this contribution being subject to change by Licensor from time to time if approved by a majority of members (which shall be counted on the basis of one suite, one vote) of the "ESOA" (the Embassy Suites Owners' Association or successor sanctioned as such by Licensor) who represent a majority of the suites to be subject to the increase, at an annual ESOA meeting or at a meeting of System Licensees as may be convened by Licensor upon no less than 45 days' advance notice or by mail ballot with no less than forty-five day deadline to cast ballot;

(i) Licensor may, in its sole discretion upon 30 days prior written notice, increase this Contribution by an amount not to exceed .5% of Gross Suites Revenue and such increase shall be effective for a period that shall not exceed 12 months. Licensor may not implement any additional discretionary increase(s) within 24 months after the expiration of such increase; and

(c) a special additional Reservation Contribution assessment of one-eighth of one percent (.125%) of Gross Suites Revenue to be paid in 1993; and

(d) an amount equal to any sales, gross receipts or similar tax imposed on Licensor and calculated solely on payments required hereunder, unless the tax is an optional alternative to an income tax otherwise payable by Licensor.

Licensee will operate the Hotel so as to maximize Gross Suites Revenue of the Hotel consistent with sound marketing and industry practice and will not engage in any conduct which reduces Gross Suites Revenue of the Hotel in order to further other business activities.

(2) A standard initial fee as set forth in Licensor's current "Offering Circular for Prospective Franchisees" will be charged by Licensor upon application for any guest suites to be added to the Hotel.

(3) Additional royalties may be charged by Licensor on revenues (or upon any other basis, if so determined by Licensor) from any activity if it is added at the Hotel by mutual agreement and:
(a) it is not now offered at System hotels generally and it is likely to benefit significantly from or be identified significantly with the Embassy Suites name or other aspects of the System; or
(b) it is designed or developed by or for Licensor.

(4) Charges may be made by Licensor for optional products or services accepted by Licensee from Licensor either in accordance with current practice or as developed in the future.

(5) If Licensee chooses to participate in any optional program available through Licensor or its parent, or any other program

certified by Licensor, for payment of travel agent commissions, Licensee will pay to Licensor or its designated agent by the 15th of the month following receipt of a statement therefor, all amounts due.

(6) Each payment under this paragraph 3.C. shall be accompanied by the monthly statement referred to in paragraph 8.A. Licensor may apply any amounts received under this paragraph 3.C. to any amounts due under this Agreement. If any amounts are not paid when due such non-payment shall constitute a breach of this Agreement and in addition, such unpaid amounts will accrue interest beginning on the first day of the month following the due date at 1 1/2 % per month but not to exceed the maximum interest permitted by applicable law.

(7) Local and regional marketing programs and related activities may be conducted by Licensee, but only at Licensee's expense and subject to Licensor's requirements. Reasonable charges may be made by Licensor for optional advertising materials ordered or used by Licensee for such programs and activities.

4. Licensor's Responsibilities.

A. Training. During the License Term, Licensor will continue to specify and provide required training programs and may, at its discretion, provide certain optional training programs at various locations. No tuition charge will be made for any training required by Licensor, but travel, lodging and other expenses of Licensee and its employees will be borne by Licensee. Reasonable charges may be made by Licensor for optional training programs and for all training materials provided to Licensee.

B. Reservation Services. During the License Term, so long as Licensee is in full compliance with its material obligations hereunder, Licensor will afford Licensee access to Reservation Services for the Hotel.

C. Consultation on Operations, Facilities and Marketing. Licensor will, from time to time at Licensor's sole discretion, make available to Licensee at no charge consultation and advice in connection with operations, facilities and marketing.

D. Use of Marketing and Reservation Contribution. The Marketing and Reservation Contribution will be used by and at the sole discretion of Licensor for costs associated with advertising, promotion, publicity, market research and other systemwide marketing programs and related activities and for reservation programs and related activities. Licensor will make available and use for the same purposes marketing and reservation funds computed on the basis generally applicable to licensees of the System. Licensor is not obligated to expend funds for marketing or reservation services in excess of the amounts received by Licensor from licensees using the System and those funds made available by Licensor as set out hereinabove.

E. Application of Manual. All hotels operated under the System will be subject to the Manual, as it may from time to time be modified or revised by Licensor, including limited exceptions from compliance which may be made based on local conditions or special circumstances.

F. Other Arrangements for Marketing, etc. Licensor may enter into arrangements for development, marketing, operations, administrative, technical and support functions, facilities, programs, services and/or personnel with any other entity and may use any facilities, programs, services or personnel used in connection with the System in connection with any business activities of its parent, subsidiaries, divisions or affiliates.

G. If the Hotel fails to comply with the standards and rules of operation set forth in the Manual, the LIcensor may, at the Licensee's written request and cost, meet with the Licensee or the Licensee's representative at the Hotel to develop an action plan to correct the deficiencies. The Licensee's failure to develop an approved plan within 30 days of receipt of notice of

noncompliance or to timely perform the requirements of the plan shall be an additional ground for declaring Licensee to be in breach of the Agreement. Licensor's participation in the development of an action plan and approval of such plan shall not be a condition precedent for Licensor declaring Licensee to be in breach of this Agreement based on the failure of the Hotel to comply with standards and rules of operation set forth in the Manual.

5. Appeals, Changes in the Manual.

A. Appeals. Decisions, other than termination notices, made on behalf of Licensor specifically with reference to the Hotel may be appealed to Licensor's Franchise Committee if done promptly after Licensee has diligently sought relief through Licensor's normal channels of authority. With the approval in writing of any member of the Franchise Committee, the decision may be further appealed to the members of the ESOA Executive Committee who are also officers of Licensor or its Embassy Suites Hotel Division.

B. Changes in the Manual. Any change in the Manual must be explained in writing to Licensee at least 30 days before it goes into effect. Any change in the Manual that is shown to be arbitrary or capricious will be rescinded by Licensor. A committee designated by Licensor which includes its Chief Executive Officer or its Chief Operating Officer must determine that the change was formulated in good faith in the best interests of the System, and that it was approved by Licensor's Franchise Committee after seeking the advice and counsel of the Operations Standards Subcommittee of the ESOA. After it has been in effect 60 days, but less than 180 days, a change in the Manual may be appealed to the members of the ESOA Executive Committee who are also officers of Licensor or its Embassy Suites Hotel Division by ESOA members representing at least 30% of the hotels authorized to use the System.

C. Decision on Appeal. Licensor shall have the right to decide appeals under this paragraph solely in its discretion and may require that such appeals be made solely on the basis of written submissions. No appeal will suspend a decision or change until and unless the appeal is successful.

D. Limitation on Appeal Rights. Licensee will not be arbitrary, capricious or unreasonable in exercising its appeal (or any other) rights under this Agreement, and will use them only for the purposes for which intended.

6. ESOA.

A. Eligibility. Licensee, other licensees of the System, and Licensor are eligible for membership in the ESOA in accordance with the By-laws of the ESOA and are entitled to vote at its meetings on the basis of one open suite, one vote. The purposes of the ESOA will be to consider and discuss, and make recommendations on, common problems relating to the operation of System hotels. Licensor will seek the advice and counsel of the ESOA Executive Committee and its subcommittees.

B. Function of Committees. ESOA committees, their functions and their members will be subject to approval in writing by Licensor, which approval will not be unreasonably withheld. Recognizing that the ESOA must function in a manner consistent with the best interests of all persons using the System, the Licensee and Licensor will use their best efforts to cause the governing rules of the ESOA to be consistent with this Agreement.

7. Proprietary Rights.

A. Ownership of System. The Licensee acknowledges and will not contest, either directly or indirectly, Licensor's unrestricted and exclusive ownership of the System and any element(s) or component(s) thereof, or that Licensor has the sole right to grant licenses to use all or any element(s) or component(s) of the System. Licensee specifically agrees and acknowledges that Licensor is the owner of all right, title and interest in and to the mark "Embassy Suites" and all other marks associated with the System together

with the goodwill symbolized thereby and that Licensee will not contest directly or indirectly the validity or ownership of the marks either during the License Term or after its termination. All improvements and additions whenever made to or associated with the System by the parties to this Agreement or anyone else, and all service marks, trademarks, copyrights, and service mark and trademark registrations at any time used, applied for or granted in connection with the System, and all goodwill arising from Licensee's use of Licensor's marks shall inure to the benefit of and become the property of Licensor. Upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Licensee's use of the System or any element(s) or component(s) of the System including the name or marks.

B. Trademark Disputes. Licensor will have the sole right and responsibility to handle disputes with third parties concerning use of all or any part of the System, and Licensee will, at its reasonable expense, extend its full cooperation to Licensor in all such matters. All recoveries made as a result of disputes with third parties regarding use of the System or any part thereof shall be for the account of Licensor. Licensor need not initiate suit against alleged imitators or infringers and may settle any dispute by grant of a license or otherwise. Licensee will not initiate any suit or proceeding against alleged imitators or infringers, or any other suit or proceeding to enforce or protect the System. Both parties will make every effort consistent with the foregoing to protect, maintain, and promote the name "Embassy Suites" and its distinguishing characteristics (and the other service marks, trademarks, slogans, etc., associated with the System) as standing for the System and only the System; provided, however, both parties acknowledge that Licensor may allow certain hotels which had written franchise commitments or licenses in the Granada Royale Hometel franchise system to use the name "Embassy Suites" and other related marks of the System.

C. Protection of Name and Marks. Both parties will make every effort consistent with the foregoing to protect and maintain the name and mark "Embassy Suites" and its distinguishing characteristics (and the other service marks, trademarks, slogans, etc., associated with the System). Licensee agrees to execute any documents deemed necessary by Licensor or its counsel to obtain protection for Licensor's marks or to maintain their continued validity and enforceability. Licensee agrees to use the names and marks associated with the System only in the manner authorized by Licensor and acknowledges that any unauthorized use thereof shall constitute infringement of Licensor's rights.

8. Records and Audits.

A. Monthly Reports. At least monthly, Licensee shall prepare a statement which will include all information concerning Gross Suites Revenue, other revenues generated at the Hotel, suite occupancy rates, reservation data and other information required by Licensor that may be useful in connection with marketing and other functions of Licensor, its parent, subsidiaries, divisions or affiliates (the "Data"). The Data shall be the property of Licensor. The Data will be permanently recorded and retained as may be reasonably required by Licensor. By the 15th of each month, Licensee will submit to Licensor a statement setting forth the Data for the previous month and reflecting the computation of the amounts then due under paragraph 3.C. The statement shall be in such form and detail and shall use such definitions as Licensor may reasonably request from time to time, and may be used by Licensor for its reasonable purposes.

B. Daily Reports. At the request of Licensor, Licensee shall prepare and deliver daily reports to Licensor, which reports will contain information reasonably requested by Licensor on a daily basis such as daily rate and suite occupancy, and which may be used by Licensor for its reasonable purposes.

C. Preparation and Maintenance of Records. Licensee will, in a manner and form satisfactory to Licensor and utilizing accounting and reporting standards as reasonably required by Licensor, prepare on a current basis (and preserve for no less then four years), complete and accurate records concerning Gross Suites Revenue and all financial, operating, marketing and other aspects of the Hotel, and maintain an accounting system which fully and accurately reflects all financial aspects of the Hotel and its business. Such records shall include but not be limited to books of account, tax returns, governmental reports, register tapes, daily reports, and complete quarterly and annual financial statements (profit and loss statements, balance sheets and cash flow statements).

D. Audit. Licensor may require Licensee to have the Gross Suites Revenue or other monies due hereunder computed and certified as accurate by a certified public accountant. During the License Term and for two years afterward, Licensor and its authorized agents will have the right to verify information required under this Agreement by requesting, receiving, inspecting and auditing, at all reasonable times, any and all records referred to above wherever they may be located (or elsewhere if reasonably requested by Licensor). If any such inspection or audit discloses a deficiency in any payments due hereunder, Licensee shall immediately pay to Licensor the deficiency, plus interest thereon as provided in paragraph 3.C.(6). In addition, if the deficiency in any payment for any 12-month period exceeds 5% of the correct amount and is not offset by overpayments, Licensee shall also immediately pay to Licensor the entire cost of the inspection and audit, including but not limited to travel, lodging, meals, salaries and other expenses of the inspecting or auditing personnel. Licensor's acceptance of Licensee's payment of any deficiency as provided for herein shall not waive Licensor's right to terminate this Agreement as provided for herein in paragraph 12. If the audit discloses an overpayment, Licensor will immediately refund it to Licensee.

E. Annual Financial Statements. Licensee will submit to Licensor as soon as available but not later than 90 days after the end of Licensee's fiscal year, complete financial statements for the Hotel for such year. Licensee will certify them to be true and correct and to have been prepared in accordance with generally accepted accounting principles consistently applied, and any false certification will be a breach of this Agreement.

9. Indemnity and Insurance.

A. Indemnity. Licensee will indemnify Licensor, its parent, and its subsidiaries, divisions and affiliates and their officers, directors, employees, agents, successors and assigns against, hold them harmless from, and promptly reimburse them for, all payments of money (fines, damages, legal fees, expenses, etc.) by reason of any claim, demand, tax, penalty, or judicial or administrative investigation or proceeding (even where negligence of Licensor and/or its parent, subsidiaries and affiliates is alleged) arising from any claimed occurrence at the Hotel or any act, omission or obligation of Licensee or anyone associated or affiliated with Licensee or the Hotel. At the election of Licensor, Licensee will also defend Licensor and/or its parent, subsidiaries, divisions and affiliates and their officers, directors, employees, agents, successors and assigns against same. In any event, Licensor will have the right, through counsel of its choice, to control any matter to the extent it could directly or indirectly affect Licensor and/or its parent, subsidiaries, divisions and affiliates and their officers, directors, employees, agents, successors and assigns financially. Licensee will also reimburse Licensor for all expenses including attorneys' fees and court costs reasonably incurred by Licensor to protect itself and/or its parent, subsidiaries, divisions, affiliates and their officers, directors, employees, agents and their successors and assigns from, or to remedy defaults of Licensee under this Agreement.

B. Insurance. During the License Term, Licensee will comply with all insurance requirements of any lease or mortgage covering the Hotel, and Licensor's specifications for insurance as to amount and type of coverage as

may be reasonably increased by Licensor from time to time in writing, and will in any event maintain as a minimum the following insurance underwritten by an insurer approved by Licensor:

(1) employer's liability and workers' compensation insurance as prescribed by applicable law; and

(2) liquor liability insurance naming Licensor and its parent as additional insureds with single-limit coverage for personal and bodily injury and property damage of at least $10,000,000 for each occurrence; and

(3) comprehensive general liability insurance (with products, completed operations and independent contractors coverage) and comprehensive automobile liability insurance, all on an occurrence basis naming Licensor and its parent as additional insureds and underwritten by an insurer approved by Licensor, with single-limit coverage for personal and bodily injury and property damage of at least $10,000,000 for each occurrence. In connection with all significant construction at the Hotel during the License Term, Licensee will cause the general contractor to maintain with an insurer approved by Licensor comprehensive general liability insurance (with products, completed operations and independent contractors coverage) in at least the amount of $10,000,000 for each occurrence with Licensor and its parent named as additional insureds.

C. Changes in Insurance. Simultaneously herewith, annually hereafter and each time a change is made in any insurance or insurance carrier, Licensee will furnish to Licensor copies of the policies of insurance setting forth the term and coverage of the insurance in force, the persons insured, and the fact that the coverage may not be cancelled, altered or permitted to lapse or expire without 30 days' advance written notice to Licensor.

10. Transfer.

A. Transfer by Licensor. Licensor shall have the right to transfer or assign this Agreement or any of Licensor's rights or obligations hereunder to any person or legal entity.

B. Transfer by Licensee. Licensee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Licensee, and that Licensor has entered into this Agreement in reliance on the business skill, financial capacity, and personal character of Licensee (if Licensee is an individual), and upon that of the partners or stockholders of Licensee (if Licensee is a partnership or corporation). Accordingly, neither Licensee nor any immediate or remote successor to any part of Licensee's interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns an equity interest (as that term is defined herein) in Licensee, shall sell, assign, transfer, convey, pledge, mortgage, encumber, or give away, any direct or indirect interest in this Agreement or equity interest in Licensee, except as provided in this Agreement. Any purported sale, assignment, transfer, conveyance, pledge, mortgage, or encumbrance, by operation of law or otherwise, of any interest in this Agreement or any equity interest in Licensee not in accordance with the provisions of this Agreement, shall be null and void and shall constitute a material breach of this Agreement, for which Licensor may terminate this Agreement upon notice without opportunity to cure pursuant to paragraph 12.C.(4) of this Agreement.

(1) For the purposes of this paragraph 10, the term "equity interest" shall mean any stock or partnership interest in Licensee, the interest of any partner, whether general or limited, in any partnership, with respect to such partnership, and any stockholder of any corporation with respect to such corporation, which partnership or corporation is the Licensee hereunder or which partnership or corporation owns a direct or indirect beneficial interest in Licensee. References in this Agreement to "publicly-traded equity interest" shall mean any equity interest which is traded on any securities exchange or is quoted in any publication or

electronic reporting service maintained by the National Association of Securities Dealers, Inc. or any of its successors.

(2) If Licensee is a partnership or corporation, Licensee represents that the equity interests in Licensee are directly and (if applicable) indirectly owned as shown in Attachment A.

C. Transfer of Equity Interests that are not Publicly Traded.

(1) Except where otherwise provided in this Agreement, equity interests in the Licensee that are not publicly-traded may be transferred, issued, or eliminated with Licensor's prior written consent, which will not be unreasonably withheld, provided that, after the transaction:

(a) 50% or less of all equity interests in Licensee will have changed hands since Licensee first became a party to this Agreement; or
(b) 80% or less of all equity interests in Licensee will have changed hands since Licensee first became a party to this Agreement, and no equity interest will be held by other than those who held them when Licensee first became a party to this Agreement.

(2) In computing the percentages referred to in paragraph 10.C.(1) above, limited partners will not be distinguished from general partners, and Licensor's judgment will be final if there is any question as to the definition of "equity interest" or as to the computation of relative equity interest, the principal considerations being:

(a) Direct and indirect power to exercise control over the affairs of Licensee; and
(b) Direct and indirect right to share in Licensee's profits; and
(c) Amounts directly or indirectly exposed to risk in the Licensee's business.

D. Transfers of Publicly-Traded Equity Interests.

(1) Except as otherwise provided in this Agreement, publicly-traded equity interests in the Licensee may be transferred without the Licensor's consent, but only if:

(a) Immediately before the proposed transfer, the transferor owns less than 25% of the equity interest of Licensee; and
(b) Immediately after the transfer the transferee will own less than 25% of the equity interest in Licensee; and
(c) The transfer is exempt from registration under federal securities law.

(2) Publicly-traded equity interests may be transferred with Licensor's written consent, which may not be unreasonably withheld, if the transfer is exempt from registration under federal securities law.

(3) The chief financial officer of Licensee shall certify annually to Licensor that Licensee is in compliance with the provisions of this paragraph 10.D. Such certification shall be delivered to Licensor with the Annual Financial Statements referred to in paragraph 8.E. hereof.

E. Transfer of this Agreement.

(1) Licensee, if a natural person, may with Licensor's consent, which will not be unreasonably withheld, transfer this Agreement to Licensee's spouse, parent, sibling, niece, nephew, descendant, or spouse's descendant, provided that:

(a) Adequate provision is made for management of the Hotel; and
(b) The transferee executes a new license agreement for the unexpired term of this Agreement on the standard form then being used to license new Hotels under the System, except that the fees charged then shall

be the same as those contained herein; and
(c) Licensee guarantees, in Licensor's usual form, the performance of the transferee's obligations under the newly-executed license agreement.

(2) If Licensee is a natural person, he may, without the consent of Licensor upon 30 days prior written notice to Licensor, transfer this Agreement to a corporation entirely owned by him, provided that:

(a) Adequate provision is made for management of the Hotel; and
(b) The transferee executes a new license agreement for the unexpired term of this Agreement on the standard form then being used to license new hotels under the System, except that the fees charged in the new license agreement shall be the same as those contained herein; and
(c) The Licensee guarantees, in Licensor's usual form, the performance of the transferee's obligations under the newly-executed license agreement.

F. Transfers of this Agreement or Equity Interest in this Agreement Upon Death.

(1) If Licensee is a natural person, upon the Licensee's death this Agreement will pass in accordance with Licensee's will, or, if Licensee dies intestate, in accordance with laws of intestacy governing the distribution of the Licensee's estate, provided that:

(a) Adequate provision is made for management of the Hotel; and
(b) The Licensor gives written consent, which consent will not be unreasonably withheld; and
(c) The transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants, or spouse's descendants; and
(d) Licensee's heirs or legatees promptly advise Licensor and promptly execute a new license agreement for the unexpired term of this Agreement on the standard form then being used to license new Hotels under the System, except the fees charged thereunder shall be the same contained herein.

(2) If an equity interest is owned by a natural person, the equity interest will pass upon such person's death in accordance with such person's will or, if such person dies intestate, in accordance with the laws of intestacy governing the distribution of the Licensee's estate, provided that:

(a) Adequate provision is made for management of the Hotel; and
(b) The Licensor gives written consent, which consent will not be unreasonably withheld; and
(c) The transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants, or spouse's descendants; and
(d) Transferee assumes, in writing, on a continuing basis, the decedent's guarantee, if any, of the Licensee's obligations hereunder.

G. Registration of a Proposed Transfer of Equity Interests. If a proposed transfer of an equity interest in the Licensee requires registration under any federal or state securities law, Licensee shall:

(1) Request the Licensor's consent at least 45 days before the proposed effective date of the registration; and

(2) Accompany such request with one payment of a nonrefundable fee of $25,000; and

(3) Reimburse Licensor for expenses incurred by Licensor in connection with review of the materials concerning the proposed registration, including without limitation, attorneys' fees and travel expenses; and

(4) Agree, and all participants in the proposed offering subject to

registration agree, to fully indemnify Licensor in connection with the registration; furnish the Licensor all information requested by Licensor; avoid any implication of Licensor's participating in, or endorsing the offering; and use the Licensor's service marks and trademarks only as directed by Licensor.

H. Management of the Hotel. Licensee must at all times retain and exercise management control over the Hotel's business, either directly or through a management company approved by Licensor. Licensee shall not enter into any lease, management agreement, or other similar arrangement for the operation of the Hotel or any part thereof (including without limitation, food and/or beverage service facilities), with any independent entity without the prior written consent of Licensor.

I. Application for New License Agreement upon Transfer of the Hotel.

(1) If Licensee receives an offer to purchase or lease the Hotel or any portion thereof and Licensee, pursuant to the terms of such offer, desires to sell or lease the Hotel or any portion thereof, Licensee shall give prompt written notice thereof to Licensor stating the identity of the prospective purchaser or lessee, the price or rental and furnish a copy of the proposed agreement concerning said offer and all other information with respect thereto which may be reasonably requested by Licensor.

(2) If the proposed lessee or transferee desires to operate the Hotel under the System, the proposed lessee or transferee will, with Licensee's consent, apply for a new license agreement to replace this Agreement for a term to be determined by Licensor. Licensor will process the application in good faith and in accordance with procedures, criteria and requirements regarding fees, upgrade of the Hotel, credit, operational abilities and capabilities, prior business dealings, if any, with the Licensor, market feasibility and other factors deemed relevant by Licensor, then being applied by Licensor in issuing new licenses to use the System. If the application is not approved by Licensor and Licensee proceeds with the purchase or lease of the Hotel, then this Agreement shall terminate pursuant to paragraph 12.C; and Licensor shall be entitled to all of its remedies. If the application is approved, Licensor and the transferee will, upon surrender of this Agreement, enter into a commitment agreement to govern the Hotel until the time specified therein for the new license agreement to be entered into if the transferee fulfills specified upgrading and other requirements. The new license agreement will be on the standard form, and contain the standard terms (except for duration) then being used to license new Hotels under the System.

11. Condemnation and Casualty.

A. Condemnation. Licensee shall, at the earliest possible time, give Licensor full notice of any proposed taking by eminent domain. If Licensor agrees that the Hotel or a substantial part thereof is to be taken, Licensor will give due and prompt consideration, without any obligation, to substituting a nearby location selected by Licensee and approved by Licensor as the Hotel hereunder as promptly as reasonably possible, and in any event within four months of the taking. If the new location is approved by Licensor and the substitution authorized by Licensor and if Licensee opens a new hotel at the new location in accordance with Licensor's specifications within two years of the closing of the Hotel, the new hotel will thenceforth be deemed to be the Hotel licensed under this Agreement. If a condemnation takes place and a new hotel does not, for whatever reason, become the Hotel under this Agreement in strict accordance with this paragraph (or if it is reasonably evident to Licensor that such will be the case), this Agreement will terminate forthwith upon notice thereof by Licensor to Licensee without the payment of liquidated damages required by paragraph 12.F.

B. Casualty.

(1) If the Hotel is destroyed or substantially destroyed during the License

Term by fire or other casualty and the cost of repairing, restoring, rebuilding and replacing the same shall exceed the proceeds of the insurance collectible with respect to such fire or other casualty (for this purpose the deductible amount under the insurance policy shall be deemed to be collectible proceeds) and the Hotel

(a) for at least the full twelve month period preceding the casualty, did not have a positive cash flow after payment of all operating and ownership costs; or
(b) can be shown by appraisal to have an economic value less than the total cost to repair, restore, rebuild or replace.

Licensee shall have the right upon notice served upon Licensor within sixty (60) days after such fire or casualty, to terminate this Agreement without the payment of liquidated damages required by paragraph 12.F.

(2) If the cost of repairing, restoring, rebuilding or replacing the damage shall be equal to or less than the proceeds of the insurance collectible with respect to such fire or other casualty, or, if greater and the Licensee did not meet (a) or (b) above or, if greater and the Licensee did meet (a) or (b) above, but did not give notice to Licensor within the sixty (60) day time period, Licensee shall expeditiously repair the damage. If the damage or repair requires closing the Hotel, Licensee will immediately notify Licensor, will repair or rebuild the Hotel in accordance with Licensor's standards, will commence reconstruction within four months after closing, and will reopen the Hotel for continuous business operations as soon as practicable (but in any event within 24 months after closing of the Hotel), giving Licensor ample advance notice of the date of reopening. If the Hotel is not reopened in accordance with this paragraph, this Agreement will forthwith terminate upon notice thereof from Licensor to Licensee, with the payment of liquidated damages required by paragraph 12.F.

C. No Extensions of Term. Nothing in this paragraph 11 will extend the License Term but Licensee shall not be required to make any payments pursuant to paragraphs 3.C.(1), (3) and (4) for periods during which the Hotel is closed by reason of condemnation or casualty.

12. Termination.

A. Expiration of Term. This Agreement will expire without notice 20 years from the date hereof, subject to earlier termination as set forth herein. The parties recognize the difficulty of ascertaining damages to Licensor resulting from premature termination of this Agreement, and have provided for liquidated damages in paragraph 12.F. below, which represent the parties' best estimate as to the damages arising from the circumstances in which they are provided.

B. Termination by Licensor on Advance Notice.

(1) In accordance with notice from Licensor to Licensee, this Agreement will terminate (without any further notice unless required by law) or, at Licensor's sole discretion with notice from Licensor to Licensee, Licensor may cease to provide its services hereunder (including Reservation Services), provided that:

(a) the notice is mailed at least 30 days (or longer, if required by law) in advance of the termination date;
(b) the notice reasonably identifies one or more breaches of the Licensee's obligations; and
(c) the breach(es) are not fully remedied within the time period specified in the notice.

(2) If during the then preceding 12 months, Licensee shall have engaged in a violation of this Agreement for which a notice of termination was given and termination failed to take effect because the default was remedied, the

period given to remedy defaults thereafter will, if and to the extent permitted by law, thereafter be 10 days instead of 30.

(3) In any judicial proceeding in which the validity of termination is at issue, Licensor will not be limited to the reasons set forth in any notice sent under this paragraph.

(4) Licensor's notice of termination or suspension of services shall not relieve Licensee of its obligations under this Agreement.

C. Immediate Termination by Licensor. This Agreement may be immediately terminated upon notice from Licensor to Licensee (or at the earliest time permitted by applicable law) if:

(1)(a) Licensee or any guarantor of Licensee's obligations hereunder generally does not pay its debts as they become due or shall admit in writing its inability to pay its debts, or shall make a general assignment for the benefit of creditors; or
(b) Licensee or any such guarantor shall commence any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property; or
(c) Licensee or any such guarantor shall take any corporate or other action to authorize any of the actions set forth above in paragraphs (a) or (b); or
(d) Any case, proceeding or other action against Licensee or any such guarantor shall be commenced seeking to have an order for relief entered against it as debtor, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, and such case, proceeding or other action (i) results in the entry of an order for relief against it which is not fully stayed within seven business days after the entry thereof or (ii) remains undismissed for a period of 45 days; or
(e) An attachment remains on all or a substantial part of the Hotel or of Licensee's or any such guarantor's assets for 30 days; or
(f) Licensee or any such guarantor fails, within 60 days of the entry of a final judgment against Licensee in any amount exceeding $50,000, to discharge, vacate or reverse the judgment, or to stay execution of it, or if appealed, to discharge the judgment within 30 days after a final adverse decision in the appeal; or

(2) Licensee loses possession or the right to possession of all or a significant part of the Hotel, except as otherwise provided in paragraph 11; or

(3) Licensee contests in any court or proceeding Licensor's ownership of the System or any part of it, or the validity of any service marks or trademarks associated with Licensor's business; or

(4) A breach of paragraph 10 hereof occurs; or

(5) Licensee fails to continue to identify itself to the public as a System hotel; or

(6) Any action is taken toward dissolving or liquidating Licensee or any guarantor, if it is a corporation or partnership, except for death of a partner; or

(7) Licensee or any equity holder in Licensee is, or is discovered to have been, convicted of a felony (or any other offense if it is likely to

adversely reflect upon or affect the Hotel, the System, the Licensor, the Licensor's parent or its affiliates or subsidiaries in any way); or

(8) Licensee knowingly maintains false books and records of account or knowingly submits false reports or information to Licensor.

D. Termination by Licensee. This Agreement may be terminated by Licensee as provided in paragraph 3.B. herein.

E. De-identification of Hotel Upon Termination. Licensee will take whatever action is necessary to assure that no use is made of any part of the System at or in connection with the Hotel after the License Term ends. This will involve, among other things, returning to Licensor the Manual and all other materials proprietary to Licensor, physical changes of distinctive System features of the Hotel, including removal of the primary freestanding sign, and all other actions required to preclude any possibility of confusion on the part of the public that the Hotel is no longer using all or any part of the System or otherwise holding itself out to the public as an Embassy Suites hotel. Anything not done by Licensee in this regard within 30 days after termination may be done at Licensee's expense by Licensor or its agents who may enter upon the premises of the Hotel for that purpose.

F. Payment of Liquidated Damages. If the Agreement terminates pursuant to paragraphs 11.B(2), 12.B or 12.C above, Licensee will promptly pay Licensor (as liquidated damages for the premature termination only, and not as penalty or forfeiture, or in lieu of any other payment), a lump sum equal to the total amounts required under paragraph 3.C(1) and 3.C(3) during the lesser of the following: (i) 36 months of operation; or (ii) a number of months equal to one-half of the number of the calendar months remaining prior to the date of the License expiration set forth in this Agreement, as measured from the date of termination of this Agreement. The liquidated damages shall then be calculated by multiplying the applicable number of months (36 months or less) times the monthly average of the amounts required under paragraph 3.C(1) and 3.C(3) for the 12 months preceding the date of termination, or if the hotel has not been in operation as an Embassy Suites hotel for 12 months, then the actual number of months preceding the date of termination.

13. Agreement is Non-Renewable.

This Agreement is non-renewable, except where otherwise may be provided by applicable law. Licensee may apply for a new license agreement to use the System at the Hotel for a term not to exceed 10 years by applying for a commitment agreement for a new license agreement on Licensor's then-current form. Licensee agrees that such application shall be made by Licensee in accordance with Licensor's procedures, criteria, and requirements regarding fees, and upgrade of the Hotel, credit, operational abilities and capabilities, prior business relationship with Licensor, market feasibility and such other factors deemed relevant by Licensor, as are then being applied by Licensor in issuing new licenses to use the System.

14. Relationship of Parties.

A. No Agency Relationship. Licensee is an independent contractor. Neither party is the legal representative or agent of, or has the power to obligate (or has the right to direct or supervise the daily affairs of) the other for any purpose whatsoever. Licensor and Licensee expressly acknowledge that the relationship intended by them is a business relationship based entirely on and circumscribed by the express provisions of this Agreement and that no partnership, joint venture, agency, fiduciary or employment relationship is intended or created by reason of this Agreement.

B. Licensee's Notices to Public Concerning Independent Status. Licensee will take such steps as are necessary and such steps as Licensor may from time to time reasonably request to minimize the chance of a claim being made against Licensor for anything that occurs at the Hotel, or for acts, omissions or obligations of Licensee or anyone associated or affiliated with

Licensee or the Hotel. Such steps may, for example, include giving notice in guest suites, public rooms and advertisements, on business forms and stationery, etc., making clear to the public that Licensor is not the owner or operator of the Hotel and is not accountable for what happens at the Hotel. Licensee shall not enter or execute any contracts in the name "Embassy Suites hotel," and all contracts for the Hotel's operations and services at the Hotel shall be in the name of Licensee or Licensee's approved management company. Unless required by law, Licensee will not use the word "Embassy," "Embassy Suites," or any similar words in its corporate, partnership, or trade name, nor authorize or permit such use by anyone else. Likewise the words "Embassy," "Embassy Suites," or any similar words will not be used to name or identify developments adjacent to or associated with the Hotel, nor will Licensee use such names in its general business in any manner separated from the business of the Hotel. Licensee will not use the words "Embassy" or "Embassy Suites" or any other name or mark associated with the System to incur any obligation or indebtedness on behalf of Licensor.

15. Miscellaneous.

A. Severability and Interpretation. The remedies provided in this Agreement are not exclusive. In the event any provision of this Agreement is held to be unenforceable, void or voidable as being contrary to the law or public policy of the United States or any other jurisdiction entitled to exercise authority hereunder, all remaining provisions shall nevertheless continue in full force and effect unless deletion of the provision(s) deemed unenforceable, void or voidable impairs the consideration for this Agreement in a manner which frustrates the purpose of the parties or makes performance commercially impracticable. In the event any provision of this Agreement requires interpretation, such interpretation shall be based on the reasonable intention of the parties in the context of this transaction without interpreting any provision in favor of or against any party hereto by reason of the draftsmanship of the party or its position relative to the other party. Any covenant, term or provision of this Agreement which, in order to effect the intent of the parties, must survive the termination of this Agreement, shall survive any such termination.

B. Binding Effect. This Agreement shall become valid when executed and accepted by Licensor at Memphis, Tennessee, and it shall be deemed made and entered into in the state of Tennessee and shall be governed and construed under and in accordance with the laws of the state of Tennessee. In entering into this Agreement, Licensee acknowledges that it has sought, voluntarily accepted and become associated with Licensor who is headquartered in Memphis, Tennessee and that this Agreement contemplates and will result in business relationships with Licensor's headquarter's personnel. The choice of law designation permits, but does not require that all lawsuits concerning this Agreement be filed in the state of Tennessee.

C. Exclusive Benefit. This Agreement is exclusively for the benefit of the parties hereto and it may not give rise to liability to a third party. No agreement between Licensor and anyone else is for the benefit of Licensee.

D. Entire Agreement. This is the entire Agreement (and supersedes all previous agreements including without limitation, any commitment agreement between the parties concerning the Hotel) between the parties relating to the Hotel. Neither Licensor nor any other person on Licensor's behalf has made any representations to Licensee concerning this Agreement or relating to the System which representation is not fully set forth herein or in Licensor's "Offering Circular for Prospective Franchisees." No change in this Agreement will be valid unless in writing signed by both parties. No failure to require strict performance or to exercise any right or remedy hereunder will preclude requiring strict performance or exercising any right or remedy in the future.

E. Licensor Withholding Consent. Licensor's consent, wherever required, may be withheld if any default by Licensee exists under this Agreement. Approvals and consents by Licensor will not be effective unless evidenced by

a writing duly executed on behalf of Licensor.

F. Notices. Notices will be effective hereunder when and only when they are reduced to writing and delivered personally or mailed by Federal Express or comparable overnight delivery service or by certified mail to the appropriate party at its address first stated above or to such person and at such address as may be designated by notice hereunder.

G. General Release and Covenant Not to Sue. Licensee and its respective heirs, administrators, executors, agents, representatives, successors or assigns, hereby release, remise, acquit and forever discharge Licensor and its parent, subsidiaries, divisions and affiliates and their officers, directors, employees, agents, successors or assigns from any and all actions, claims, causes of action, suits, rights, debts, liabilities, accounts, agreements, covenants, contracts, promises, warrants, judgments, executions, demands, damages, costs and expenses, whether known or unknown, of any kind or nature, absolute or contingent, if any there be, at law or in equity from the beginning of time to and including the date this Agreement is signed by Licensor. Licensee and its respective heirs, representatives, successors and assigns do hereby covenant and agree that they will not institute any suit or action at law or otherwise against Licensor directly or indirectly relating to any claim released hereby by Licensee. This release and covenant not to sue shall survive the termination of this Agreement. Licensee shall take whatever steps are necessary or appropriate to carry out the terms of this release and covenant not to sue upon Licensor's request.

H. Descriptive Headings. The descriptive headings in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision in this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first stated above.

LICENSEE:

LICENSOR:

EMBASSY SUITES, INC.

By: _____

Name: _____

Title: _____
Embassy Suites Hotel Division

Attest: _____
Assistant Secretary

Date: _____

ATTACHMENT A

Facilities and Services (paragraph 1):

Site-Area and general description:

Fee owners (names and addresses):

Leases (parties, terms, etc.), if any:

Separate parcels for signs:

Number of approved guest suites:

Hotel Management Company:

Restaurant(s) and lounge(s) (number, seating capacity, names and description, tenant):

Meeting and function space:

Indoor and outdoor recreational facilities (pool, whirlpool, exercise room, sauna, etc.):

Atrium:

Gift shop:

Other concessions and shops:

Parking facilities (number of spaces, description):

Other facilities and services:

Ownership of Licensee:

Authorized signatories:

GUARANTY

EXECUTED _____ , 199__

As an inducement to Embassy Suites, Inc. ("Licensor") to execute the _____ Agreement dated _____ with _____ (the "Agreement"), the undersigned ("Guarantor"), jointly and severally, hereby unconditionally warrant to Licensor and its successors and assigns that all of Licensee's representations in the Agreement and the application submitted by Licensee to obtain the License are true and further guarantee, absolutely, unconditionally and irrevocably to Licensor that all of Licensee's obligations under the Agreement, including any amendments thereto whenever made, will be punctually paid and performed.

Upon default or failure to cure within the time specified in the Agreement by Licensee or notice from Licensor, the undersigned Guarantor will immediately make each payment (including reasonable counsel fees) and perform each obligation required of Licensee under the Agreement. Without affecting the obligations of Guarantor under this Guaranty, Licensor may without notice to Guarantor extend, modify or release any indebtedness or obligation of Licensee, or settle, adjust or compromise any claims against Licensee. Guarantor waives notice of amendment of the Agreement and notice of demand for payment or performance by Licensee.

All monies available to the Licensor for application in payment or reduction of the indebtedness or obligations of Licensee may be applied by the Licensor in such manner and in such amounts and at such time or times and in such order and priority as the Licensor may see fit to the payment or reduction of such portion of the indebtedness or obligations as the Licensor may elect.

Guarantor hereby waives (a) notice of acceptance of this Guaranty and of the making of the Agreement by the Licensor to the Licensee; (b) presentment and demand for payment of the indebtedness or obligations under the Agreement or any portion thereof; (c) protest and notice of dishonor or default to the undersigned or to any other person or party with respect to the Agreement or any portion thereof; (d) all other notices to which the undersigned might otherwise be entitled; and (e) any demand for payment under this Guaranty.

The Guaranty constitutes a guaranty of payment and performance and not of collection, and each Guarantor specifically waives any obligation of Licensor to proceed against Licensee on any money or property held by Licensee or by any other person or entity as collateral security, by way of set off or otherwise. Guarantor further agrees that this Guaranty shall continue to be effective or be reinstated as the case may be, if at any time payment or any of the guaranteed obligations is rescinded or must otherwise be restored or returned by Licensor upon the insolvency, bankruptcy or reorganization of Licensee or any of the undersigned, all as though such payment has not been made.

No delay on the part of the Licensor in exercising any rights hereunder or under the documents executed in connection with the Agreement or the failure to exercise the same shall operate as a waiver of such rights; no notice to or demand on Guarantor shall be deemed to be a waiver of the obligation of Guarantor or of the right of the Licensor to take further action without notice or demand as provided herein; nor in any event shall any modification or waiver of the provisions of this Guaranty be effective unless in writing nor shall any such waiver be applicable except in the specific instance for which given.

Notwithstanding any payments made by the undersigned pursuant to the provisions of this Guaranty, Guarantor shall have no right of subrogation in and to the Agreement or the payment of the obligations thereof until the indebtedness or performance has been paid in full to the Licensor.

Each reference herein to the Licensor shall be deemed to include its successors and assigns, in whose favor the provisions of this Guaranty shall also inure. Each reference herein to Guarantor shall be deemed to include the

heirs, executors, administrators, legal representatives, successors and assigns of Guarantor, all of whom shall be bound by the provisions of this Guaranty.

Upon the death of an individual Guarantor, the estate of such Guarantor will be bound by this Guaranty but only for defaults and obligations hereunder existing at the time of death, and the obligations of the other Guarantors will continue in full force and effect.

This Guaranty is, and shall be deemed to be, a contract entered into under and pursuant to the laws of the state of Tennessee and shall be in all respects governed, construed, applied and enforced in accordance with the laws of said state.

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty as of the date of the above Agreement.

Witnesses: Guarantors:

_____ _____ (Seal)

_____ _____ (Seal)

_____ _____ (Seal)

EMBASSY SUITES, INC.
850 Ridge Lake Blvd.
Suite 400
Memphis, TN 38120

EMBASSY SUITES(R)
SHORT-TERM LICENSE AGREEMENT

Dated _____, 19__ between Embassy Suites, Inc. a Delaware corporation ("Licensor"), and _____

_____

a _____ resident corporation partnership ("Licensee"), whose

address is _____

THE PARTIES AGREE AS FOLLOWS:

1. The License.

Licensor owns, operates and licenses a system designed to provide a distinctive, high-quality hotel service to the public under the name "Embassy Suites" (the "System"). High standards established by Licensor are the essence of the System. Future investments may be required of Licensee under this Embassy Suites License Agreement ("this Agreement"). Licensee has independently investigated the risks of the business to be operated hereunder, including current and potential market conditions, competitive factors and risks, has read Licensor's "Offering Circular for Prospective Franchisees," and has made an independent evaluation of all such facts. Neither Licensor nor any other person on Licensor's behalf has made any representation to Licensee concerning this Agreement not fully set forth herein. Aware of the relevant facts, Licensee desires to enter into this Agreement in order to obtain a license to use the System in the operation of a hotel (the "Hotel") located at _____

_____

_____

A. The Hotel. The Hotel comprises all structures, facilities, appurtenances, furniture, fixtures, equipment, and entry, exit, parking and other areas from time to time located on the land identified on the plot plan most recently acknowledged by Licensor in anticipation of the execution of this Agreement, or located on any land from time to time approved by Licensor for additions, signs or other facilities. The Hotel now includes the facilities listed on Attachment A hereto. No change in the number of approved guest suites and no significant change in the Hotel may be made without Licensor's prior approval. Redecoration and minor structural changes that comply with Licensor's standards and specifications will not be considered significant. Licensee represents that it is entitled to possession of the Hotel during the entire License Term (as hereinafter defined) without restrictions that would interfere with anything contemplated in this Agreement.

B. The System. The System is composed of elements, as designated from time to time by Licensor, designed to identify "Embassy Suites hotels" to the consuming public and/or to contribute to such identification and its association with quality standards. The System at present includes the trademark "Embassy Suites" and such other service marks and copyrights, trademarks and similar property rights as may be designated from time to time by Licensor to be part of the System; access to a reservation service; distribution of advertising, publicity and other marketing programs and materials; the furnishing of training programs and materials; standards, specifications and policies for construction, furnishing, operation, appearance and service of the Hotel, and otherrequirements as stated or referred to in this Agreement and from time to time in Licensor's Standards Manual (the "Manual") or in other communications to Licensee; and programs for inspecting the Hotel and consulting with Licensee. Licensor may add elements to the System or modify, alter or delete elements of the System at its sole discretion from time to time.

2. Grant of License.

Licensor hereby grants to Licensee a non-exclusive license (the "License") to use the System only at the Hotel, only in accordance with the terms and conditions of this Agreement and only during the term of this Agreement (the "License Term") beginning with the date hereof and terminating under paragraph 12 hereof. This Agreement applies to the specified location and no other. This Agreement does not limit Licensor's right or the rights of any parent, subsidiary, division or affiliate of Licensor, to use or license the System or any part thereof or to engage in or license any business activity at any other location. Licensee acknowledges that Licensor, its divisions, subsidiaries and affiliates and parent are and may in the future be engaged in other business activities including activities involving transient lodging and related activities which may be or may be deemed to be competitive with the System; that facilities, programs, services and/ or personnel used in

connection with the System may also be used in connection with such other business activities of Licensor, its parent, subsidiaries, divisions or affiliates; and that Licensee is acquiring no rights hereunder other than the right to use the System as specifically defined herein in accordance with the terms of this Agreement.

3. Licensee's Responsibilities.

A. Operational and Other Requirements. During the License Term, Licensee will:

(1) maintain a high moral and ethical standard and atmosphere at the Hotel;

(2) maintain the Hotel in a clean, safe and orderly manner and in first-class condition;

(3) provide efficient, courteous and high-quality service to the public;

(4) operate the Hotel 24 hours a day every day except as otherwise permitted by Licensor based on special circumstances;

(5) strictly comply in all respects with the Manual and with all other policies, procedures and requirements of Licensor which may be from time to time communicated to Licensee;

(6) strictly comply with Licensor's reasonable requirements to protect the System and the Hotel from unreliable sources of supply;

(7) strictly comply with Licensor's requirements as to:

(a) the types of services and products that may be used, promoted or offered at the Hotel;
(b) the types and quality of services and products that, to supplement services listed on Attachment A,must be used, promoted or offered at the Hotel;
(c) use, display, style and type of signage;
(d) directory and reservation service listings of the Hotel;
(e) training of persons to be involved in the operation of the Hotel;
(f) participation in all marketing, reservation service, advertising,

training and operating programs designated by Licensor as System-wide programs in the best interests of hotels using the System;
(g) maintenance, appearance and condition of the Hotel; and
(h) quality and type of service offered to customers at the Hotel.

(8) use such automated guest service and/or hotel management and/or telephone system(s) which Licensor deems to be in the best interests of the System and adopts System-wide (including use in its own hotels), including any additions, enhancements, supplements or variants thereof which may be developed during the term hereof;

(9) participate in and use those reservation services which Licensor deems to be in the best interests of the System, including any additions, enhancements, supplements or variants thereof which may be developed during the term hereof;

(10) strictly comply with all requirements, improvements or changes to the System as may be from time to time designated by Licensor;

(11) strictly comply with all governmental requirements, including but not limited to the filing and maintenance of any required trade name or fictitious name registrations, pay all taxes, and maintain all governmental licenses and permits necessary to operate the Hotel in accordance with the System;

(12) permit inspection of the Hotel by Licensor's representatives at any time and give them free lodging for such time as may be reasonably necessary to complete their inspections;

(13) promote the Hotel on a local or regional basis subject to Licensor's requirements as to form, content and prior approvals;

(14) insure that no part of the Hotel or the System is used to further or promote a competing business or other lodging facility, except as Licensor may approve for those competing businesses or lodging facilities owned, licensed, operated or otherwise approved by Licensor, its parent or their respective divisions, subsidiaries and affiliates;

(15) use every reasonable means to encourage use of Embassy Suites facilities everywhere by the public;

(16) upon request by Licensor provide to Licensor statistics on hotel operations in the form specified by Licensor and using definitions specified by Licensor;

(17) in all respects use Licensee's best efforts to reflect credit upon and create favorable public response to the name "Embassy Suites";

(18) promptly pay to Licensor all amounts due Licensor, its parent, subsidiaries, divisions and affiliates as royalties or fees or for goods or services purchased by Licensee; and

(19) comply with Licensor's requirements concerning confidentiality of information.

B. Fees.

(1) For each month (or part of a month) during the License Term, Licensee will pay to Licensor by the 15th of the following month:

(a) a royalty of 4% of the gross revenues attributable to or payable for rental of guest suites at the Hotel with no deductions except for sales and room taxes ("Gross Suites Revenue"); and

(b) a "Marketing and Reservation Contribution" of 3.5% of Gross Suites Revenue (but no less then $1.75 per guest suite per night), this

contribution being subject to change by Licensor from time to time if approved by a majority of members (which shall be counted on the basis of one suite, one vote) of the "ESOA" (the Embassy Suites Owners' Association or successor sanctioned as such by Licensor) who represent a majority of the suites to be subject to the increase, at an annual ESOA meeting or at a meeting of System Licensees as may be convened by Licensor upon no less than 45 days' advance notice or by mail ballot with no less than forty-five day deadline to cast ballot.

(i) Licensor may, in its sole discretion upon 30 days prior written notice, increase this Contribution by an amount not to exceed .5% of Gross Suites Revenue and such increase shall be effective for a period that shall not exceed 12 months. Licensor may not implement any additional discretionary increase(s) within 24 months after the expiration of such increase; and

(c) a special additional Reservation Contribution assessment of one-eighth of one percent (.125%) of Gross Suites Revenue to be paid in 1993; and

(d) an amount equal to any sales, gross receipts or similar tax imposed on Licensor and calculated solely on payments required hereunder, unless the tax is an optional alternative to an income tax otherwise payable by Licensor.

Licensee will operate the Hotel so as to maximize Gross Suites Revenue of the Hotel consistent with sound marketing and industry practice and will not engage in any conduct which reduces Gross Suites Revenue of the Hotel in order to further other business activities.

(2) A standard initial fee as set forth in Licensor's current "Offering Circular for Prospective Franchisees" will be charged by Licensor upon application for any guest suites to be added to the Hotel.

(3) Additional royalties may be charged by Licensor on revenues (or upon any other basis, if so determined by Licensor) from any activity if it is added at the Hotel by mutual agreement and:

(a) it is not now offered at System hotels generally and it is likely to benefit significantly from or be identified significantly with the Embassy Suites name or other aspects of the System; or
(b) it is designed or developed by or for Licensor.

(4) Charges may be made by Licensor for optional products or services accepted by Licensee from Licensor either in accordance with current practice or as developed in the future.

(5) If Licensee chooses to participate in any optional program available through Licensor or its parent, or any other program certified by Licensor, for payment of travel agent commissions, Licensee will pay to Licensor or its designated agent by the 15th of the month following receipt of a statement therefor, all amounts due.

(6) Each payment under this paragraph 3.B. shall be accompanied by the monthly statement referred to in paragraph 8.A. Licensor may apply any amounts received under this paragraph 3.B. to any amounts due under this Agreement. If any amounts are not paid when due such nonpayment shall constitute a breach of this Agreement and in addition, such unpaid amounts will accrue interest beginning on the first day of the month following the due date at 1 1/2% per month but not to exceed the maximum interest permitted by applicable law.

(7) Local and regional marketing programs and related activities may be conducted by Licensee, but only at Licensee's expense and subject to Licensor's requirements. Reasonable charges may be made by Licensor for optional advertising materials ordered or used by Licensee for such

programs and activities.

4. Licensor's Responsibilities.

A. Training. During the License Term, Licensor will continue to specify and provide required training programs and may, at its discretion, provide certain optional training programs at various locations. No tuition charge will be made for any training required by Licensor, but travel, lodging and other expenses of Licensee and its employees will be borne by Licensee. Reasonable charges may be made by Licensor for optional training programs and for all training materials provided to Licensee.

B. Reservation Services. During the License Term, so long as Licensee is in full compliance with its material obligations hereunder, Licensor will afford Licensee access to Reservation Services for the Hotel.

C. Consultation on Operations, Facilities and Marketing. Licensor will, from time to time at Licensor's sole discretion, make available to Licensee at no charge consultation and advice in connection with operations, facilities and marketing.

D. Use of Marketing and Reservation Contribution. The Marketing and Reservation Contribution will be used by and at the sole discretion of Licensor for costs associated with advertising, promotion, publicity, market research and other systemwide marketing programs and related activities and for reservation programs and related activities. Licensor will make available and use for the same purposes marketing and reservation funds computed on the basis generally applicable to licensees of the System. Licensor is not obligated to expend funds for marketing or reservation services in excess of the amounts received by Licensor from licensees using the System and those funds made available by Licensor as set out hereinabove.

E. Application of Manual. All hotels operated under the System will be subject to the Manual, as it may from time to time be modified or revised by Licensor, including limited exceptions from compliance which may be made based on local conditions or special circumstances.

F. Other Arrangements for Marketing, etc. Licensor may enter into arrangements for development, marketing, operations, administrative, technical and support functions, facilities, programs, services and/or personnel with any other entity and may use any facilities, programs, services or personnel used in connection with the System in connection with any business activities of its parent, subsidiaries, divisions or affiliates.

G. If the Hotel fails to comply with the standards and rules of operation set forth in the Manual, the LIcensor may, at the Licensee's written request and cost, meet with the Licensee or the Licensee's representative at the Hotel to develop an action plan to correct the deficiencies. The Licensee's failure to develop an approved plan within 30 days of receipt of notice of noncompliance or to timely perform the requirements of the plan shall be an additional ground for declaring Licensee to be in breach of the Agreement. Licensor's participation in the development of an action plan and approval of such plan shall not be a condition precedent for Licensor declaring Licensee to be in breach of this Agreement based on the failure of the Hotel to comply with standards and rules of operation set forth in the Manual.

5. Appeals, Changes in the Manual.

A. Appeals. Decisions, other than termination notices, made on behalf of Licensor specifically with reference to the Hotel may be appealed to Licensor's Franchise Committee if done promptly after Licensee has diligently sought relief through Licensor's normal channels of authority. With the approval in writing of any member of the Franchise Committee, the decision may be further appealed to the members of the ESOA Executive Committee who are also officers of Licensor or its Embassy Suites Hotel Division.

B. Changes in the Manual. Any change in the Manual must be explained in writing to Licensee at least 30 days before it goes into effect. Any change in the Manual that is shown to be arbitrary or capricious will be rescinded by Licensor. A committee designated by Licensor which includes its Chief Executive Officer or its Chief Operating Officer must determine that the change was formulated in good faith in the best interests of the System, and that it was approved by Licensor's Franchise Committee after seeking the advice and counsel of the Operations Standards Subcommittee of the ESOA. After it has been in effect 60 days, but less than 180 days, a change in the Manual may be appealed to the members of the ESOA Executive Committee who are also officers of Licensor or its Embassy Suites Hotel Division by members representing at least 30% of the hotels authorized to use the System.

C. Decision on Appeal. Licensor shall have the right to decide appeals under this paragraph solely in its discretion and may require that such appeals be made solely on the basis of written submissions. No appeal will suspend a decision or change until and unless the appeal is successful.

D. Limitation on Appeal Rights. Licensee will not be arbitrary, capricious or unreasonable in exercising its appeal (or any other) rights under this Agreement, and will use them only for the purposes for which intended.

6. ESOA.

A. Eligibility. Licensee, other licensees of the System, and Licensor are eligible for membership in the ESOA in accordance with the By-laws of the ESOA and are entitled to vote at its meetings on the basis of one open suite, one vote. The purposes of the ESOA will be to consider and discuss, and make recommendations on, common problems relating to the operation of System hotels. Licensor will seek the advice and counsel of the ESOA Executive Committee and its subcommittees.

B. Function of Committees. ESOA committees, their functions and their members will be subject to approval in writing by Licensor, which approval will not be unreasonably withheld. Recognizing that the ESOA must function in a manner consistent with the best interests of all persons using the System, the Licensee and Licensor will use their best efforts to cause the governing rules of the ESOA to be consistent with this Agreement.

7. Proprietary Rights.

A. Ownership of System. The Licensee acknowledges and will not contest, either directly or indirectly, Licensor's unrestricted and exclusive ownership of the System and any element(s) or component(s) thereof, or that Licensor has the sole right to grant licenses to use all or any element(s) or component(s) of the System. Licensee specifically agrees and acknowledges that Licensor is the owner of all right, title and interest in and to the mark "Embassy Suites" and all other marks associated with the System together with the goodwill symbolized thereby and that Licenses will not contest directly or indirectly the validity or ownership of the marks either during the License Term or after its termination. All improvements and additions whenever made to or associated with the System by the parties to this Agreement or anyone else, and all service marks, trademarks, copyrights, and service mark and trademark registrations at any time used, applied for or granted in connection with the System, and all goodwill arising from Licensee's use of Licensor's marks shall inure to the benefit of and become the property of Licensor. Upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Licensee's use of the System or any element(s) or component(s) of the System including the name or marks.

B. Trademark Disputes. Licensor will have the sole right and responsibility to handle disputes with third parties concerning use of all or any part of the System, and Licensee will, at its reasonable expense, extend its full cooperation to Licensor in all such matters. All recoveries made as a result of disputes with third parties regarding use of the System or any part

thereof shall be for the account of Licensor. Licensor need not initiate suit against alleged imitators or infringers and may settle any dispute by grant of a license or otherwise. Licensee will not initiate any suit or proceeding against alleged imitators or infringers, or any other suit or proceeding to enforce or protect the System. Both parties will make every effort consistent with the foregoing to protect, maintain, and promote the name "Embassy Suites" and its distinguishing characteristics (and the other service marks, trademarks, slogans, etc., associated with the System) as standing for the System and only the System; provided, however, both parties acknowledge that Licensor may allow certain hotels which had written franchise commitments or licenses in the Granada Royale Hometel franchise system to use the name "Embassy Suites" and other related marks of the System.

C. Protection of Name and Marks. Both parties will make every effort consistent with the foregoing to protect and maintain the name and mark "Embassy Suites" and its distinguishing characteristics (and the other service marks, trademarks, slogans, etc. associated with the System). Licensee agrees to execute any documents deemed necessary by Licensor or its counsel to obtain protection for Licensor's marks or to maintain their continued validity and enforceability. Licensee agrees to use the names and marks associated with the System only in the manner authorized by Licensor and acknowledges that any unauthorized use thereof shall constitute infringement of Licensor's rights.

8. Records and Audits.

A. Monthly Reports. At least monthly, Licensee shall prepare a statement which will include all information concerning Gross Suites Revenue, other revenues generated at the Hotel, suite occupancy rates, reservation data and other information required by Licensor that may be useful in connection with marketing and other functions of Licensor, its parent, subsidiaries, divisions or affiliates (the "Data"). The Data shall be the property of Licensor. The Data will be permanently recorded and retained as may be reasonably required by Licensor. By the 15th of each month, Licensee will submit to Licensor a statement setting forth the Data for the previous month and reflecting the computation of the amounts then due under paragraph 3.B. The statement shall be in such form and detail and shall use such definitions as Licensor may reasonably request from time to time, and may be used by Licensor for its reasonable purposes.

B. Daily Reports. At the request of Licensor, Licensee shall prepare and deliver daily reports to Licensor, which reports will contain information reasonably requested by Licensor on a daily basis such as daily rate and suite occupancy, and which may be used by Licensor for its reasonable purposes.

C. Preparation and Maintenance of Records. Licensee will, in a manner and form satisfactory to Licensor and utilizing accounting and reporting standards as reasonably required by Licensor, prepare on a current basis (and preserve for no less than four years), complete and accurate records concerning Gross Suites Revenue and all financial, operating, marketing and other aspects of the Hotel, and maintain an accounting system which fully and accurately reflects all financial aspects of the Hotel and its business. Such records shall include but not be limited to books of account, tax returns, governmental reports, register tapes, daily reports, and complete quarterly and annual financial statements (profit and loss statements, balance sheets and cash flow statements).

D. Audit. Licensor may require Licensee to have the Gross Suites Revenue or other monies due hereunder computed and certified as accurate by a certified public accountant. During the License Term and for two years afterward, Licensor and its authorized agents will have the right to verify information required under this Agreement by requesting, receiving, inspecting and auditing, at all reasonable times, any and all records referred to above wherever they may be located (or elsewhere if reasonably

requested by Licensor). If any such inspection or audit discloses a deficiency in any payments due hereunder, Licensee shall immediately pay to Licensor the deficiency, plus interest thereon as provided in paragraph 3.B.(6). In addition, if the deficiency in any payment for any 12-month period exceeds 5% of the correct amount and is not offset by overpayments, Licensee shall also immediately pay to Licensor the entire cost of the inspection and audit, including but not limited to travel, lodging, meals, salaries and other expenses of the inspecting or auditing personnel. Licensor's acceptance of Licensee's payment of any deficiency as provided for herein shall not waive Licensor's right to terminate this Agreement as provided for herein in paragraph 12. If the audit discloses an overpayment, Licensor will immediately refund it to Licensee.

E. Annual Financial Statements. Licensee will submit to Licensor as soon as available but not later than 90 days after the end of Licensee's fiscal year, complete financial statements for the Hotel for such year. Licensee will certify them to be true and correct and to have been prepared in accordance with generally accepted accounting principles consistently applied, and any false certification will be a breach of this Agreement.

9. Indemnity and Insurance.

A. Indemnity. Licensee will indemnify Licensor, its parent, and its subsidiaries, divisions and affiliates and their officers, directors, employees, agents, successors and assigns against, hold them harmless from, and promptly reimburse them for, all payments of money (fines, damages, legal fees, expenses, etc.) by reason of any claim, demand, tax, penalty, or judicial or administrative investigation or proceeding (even where negligence of Licensor and/or its parent, subsidiaries and affiliates is alleged) arising from any claimed occurrence at the Hotel or any act, omission or obligation of Licensee or anyone associated or affiliated with Licensee or the Hotel. At the election of Licensor, Licensee will also defend Licensor and/or its parent, subsidiaries, divisions and affiliates and their officers, directors, employees, agents, successors and assigns against same. In any event, Licensor will have the right, through counsel of its choice, to control any matter to the extent it could directly or indirectly affect Licensor and/or its parent, subsidiaries, divisions and affiliates and their officers, directors, employees, agents, successors and assigns financially. Licensee will also reimburse Licensor for all expenses including attorneys' fees and court costs reasonably incurred by Licensor to protect itself and/or its parent, subsidiaries, divisions, affiliates and their officers, directors, employees, agents and their successors and assigns from, or to remedy defaults of Licensee under this Agreement.

B. Insurance. During the License Term, Licensee will comply with all insurance requirements of any lease or mortgage covering the Hotel, and Licensor's specifications for insurance as to amount and type of coverage as may be reasonably increased by Licensor from time to time in writing, and will in any event maintain as a minimum the following insurance underwritten by an insurer approved by Licensor:

(1) employer's liability and workers' compensation insurance as prescribed by applicable law; and

(2) liquor liability insurance naming Licensor and its parent as additional insureds with single-limit coverage for personal and bodily injury and property damage of at least $10,000,000 for each occurrence; and

(3) comprehensive general liability insurance (with products, completed operations and independent contractors coverage) and comprehensive automobile liability insurance, all on an occurrence basis naming Licensor and its parent as additional insureds and underwritten by an insurer approved by Licensor, with single-limit coverage for personal and bodily injury and property damage of at least $10,000,000 for each occurrence. In connection with all significant construction at the Hotel during the License Term, Licensee will cause the general contractor to maintain with

an insurer approved by Licensor comprehensive general liability insurance (with products, completed operations and independent contractors coverage) in at least the amount of $10,000,000 for each occurrence with Licensor and its parent named as additional insureds.

C. Changes in Insurance. Simultaneously herewith, annually hereafter and each time a change is made in any insurance or insurance carrier, Licensee will furnish to Licensor copies of the policies of insurance setting forth the term and coverage of the insurance in force, the persons insured, and the fact that the coverage may not be cancelled, altered or permitted to lapse or expire without 30 days' advance written notice to Licensor.

10. Transfer.

A. Transfer by Licensor. Licensor shall have the right to transfer or assign this Agreement or any of Licensor's rights or obligations hereunder to any person or legal entity.

B. Transfer by Licensee. Licensee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Licensee, and that Licensor has entered into this Agreement in reliance on the business skill, financial capacity, and personal character of Licensee (if Licensee is an individual), and upon that of the partners or stockholders of Licensee (if Licensee is a partnership or corporation). Accordingly, neither Licensee nor any immediate or remote successor to any part of Licensee's interest in this Agreement, nor any individual partnership, corporation, or other legal entity which directly or indirectly owns an equity interest (as that term is defined herein) in Licensee, shall sell, assign, transfer, convey, pledge, mortgage, encumber, or give away, any direct or indirect interest in this Agreement or equity interest in Licensee, except as provided in this Agreement. Any purported sale, assignment, transfer, conveyance, pledge, mortgage, or encumbrance, by operation of law or otherwise, of any interest in this Agreement or any equity interest in Licensee not in accordance with the provisions of this Agreement, shall be null and void and shall constitute a material breach of this Agreement for which Licensor may terminate this Agreement upon notice without opportunity to cure, pursuant to paragraph 12.C.(4) of this Agreement.

(1) For the purposes of this paragraph 10, the term "equity interest" shall mean any stock or partnership interest in Licensee, the interest of any partner, whether general or limited, in any partnership, with respect to such partnership, and any stockholder of any corporation with respect to such corporation, which partnership or corporation is the Licensee hereunder or which partnership or corporation owns a direct or indirect beneficial interest in Licensee. References in this Agreement to "publicly-traded equity interest" shall mean any equity interest which is traded on any securities exchange or is quoted in any publication or electronic reporting service maintained by the National Association of Securities Dealers, Inc. or any of its successors.

(2) If Licensee is a partnership or corporation, Licensee represents that the equity interests in Licensee are directly and (if applicable) indirectly owned as shown in Attachment A.

C. Transfer of Equity Interests that are not Publicly Traded.

(1) Except where otherwise provided in this Agreement, equity interests in the Licensee that are not publicly traded may be transferred, issued, or eliminated with Licensor's prior written consent, which will not be unreasonably withheld provided that, after the transaction:

(a) 50% or less of all equity interests in Licensee will have changed hands since Licensee first became a party to this Agreement; or
(b) 80% or less of all equity interests in Licensee will have changed hands since Licensee first became a party to this Agreement, and no equity interest will be held by other than those who held them when

Licensee first became a party to this Agreement.

(2) In computing the percentages referred to in paragraph 10.C.(1) above, limited partners will not be distinguished from general partners, and Licensor's judgment will be final if there is any question as to the definition of "equity interest" or as to the computation of relative equity interest, the principal considerations being:

(a) Direct and indirect power to exercise control over the affairs of Licensee;
(b) Direct and indirect right to share in Licensee's profits; and
(c) Amounts directly or indirectly exposed to risk in Licensee's business.

D. Transfers of Publicly-Traded Equity Interests.

(1) Except as otherwise provided in this Agreement, publicly-traded equity interests in the Licensee may be transferred without the Licensor's consent, but only if:

(a) Immediately before the proposed transfer the transferor owns less than 25% of the equity interest of Licensee; and
(b) Immediately after the transfer the transferee will own less than 25% of the equity interest in Licensee; and
(c) The transfer is exempt from registration under federal securities law.

(2) Publicly-traded equity interests may be transferred with Licensor's written consent, which may not be unreasonably withheld, if the transfer is exempt from registration under federal securities law.

(3) The chief financial officer of Licensee shall certify annually to Licensor that Licensee is in compliance with the provisions of this paragraph 10.D. Such certification shall be delivered to Licensor with the Annual Financial Statements referred to in paragraph 8.E. hereof.

E. Transfer of this Agreement.

(1) Licensee, if a natural person, may with Licensor's consent, which will not be unreasonably withheld, transfer this Agreement to Licensee's spouse, parent, sibling, niece, nephew, descendant, or spouse's descendant provided that:

(a) Adequate provision is made for management of the Hotel; and
(b) The transferee executes a new license agreement for the unexpired term of this Agreement on the standard form then being used to license new Hotels under the System, except that the fees charged then shall be the same as those contained herein; and
(c) Licensee guarantees, in Licensor's usual form, the performance of the transferee's obligations under the newly-executed license agreement.

(2) If Licensee is a natural person, he may, without the consent of Licensor upon 30 days' prior written notice to Licensor, transfer this Agreement to a corporation entirely owned by him provided that:

(a) Adequate provision is made for management of the Hotel; and
(b) The transferee executes a new license agreement for the unexpired term of this Agreement on the standard form then being used to license new hotels under the System, except that the fees charged then shall be the same as those contained herein; and
(c) The Licensee guarantees, in Licensor's usual form, the performance of the transferee's obligations under the newly-executed license agreement.

F. Transfers of this Agreement or Equity Interest in this Agreement Upon Death.

(1) If Licensee is a natural person, upon the Licensee's death this Agreement will pass in accordance with Licensee's will, or, if Licensee dies intestate, in accordance with laws of intestacy governing the distribution of the Licensee's estate provided that:

(a) Adequate provision is made for management of the Hotel; and
(b) The Licensor gives written consent, which consent will not be unreasonably withheld; and
(c) The transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants, or spouse's descendants; and
(d) Licensee's heirs or legatees promptly advise Licensor and promptly execute a new license agreement for the unexpired term of this Agreement on the standard form then being used to license new Hotels under the System, except the fees charged thereunder shall be the same contained herein.

(2) If an equity interest is owned by a natural person, the equity interest will pass upon such person's death in accordance with such person's will or, if such person dies intestate, in accordance with the laws of intestacy governing the distribution of Licensee's estate provided that:

(a) Adequate provision is made for management of the Hotel; and
(b) The Licensor gives written consent, which consent will not be unreasonably withheld; and
(c) The transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants, or spouse's descendants; and
(d) Transferee assumes, in writing, on a continuing basis, the decedent's guarantee, if any, of the Licensee's obligations hereunder.

G. Registration of a Proposed Transfer of Equity Interests. If a proposed transfer of an equity interest in the Licensee requires registration under any federal or state securities law, Licensee shall:

(1) Request the Licensor's consent at least 45 days before the proposed effective date of the registration; and

(2) Accompany such request with one payment of a nonrefundable fee of $25,000; and

(3) Reimburse Licensor for expenses incurred by Licensor in connection with review of the materials concerning the proposed registration, including without limitation, attorneys' fees and travel expenses; and

(4) Agree, and all participants in the proposed offering subject to registration shall agree, to fully indemnity Licensor in connection with the registration; furnish the Licensor all information requested by Licensor; avoid any implication of Licensor's participating in, or endorsing the offering; and use the Licensor's service marks and trademarks only as directed by Licensor.

H. Management of the Hotel. Licensee must at all times retain and exercise direct management control over the Hotel's business, either directly or through a management company approved by Licensor. Licensee shall not enter into any lease, management agreement, or other similar arrangement for the operation of the Hotel or any part thereof (including without limitation, food and/or beverage service facilities), with any independent entity without the prior written consent of Licensor.

I. Application for New License Agreement upon Transfer of the Hotel.

(1) If Licensee receives an offer to purchase or lease the Hotel or any portion thereof and Licensee, pursuant to the terms of such offer, desires to sell or lease the Hotel or any portion thereof, Licensee shall give prompt written notice thereof to Licensor stating the identity of the

prospective purchaser or lessee, the price or rental and furnish a copy of the proposed agreement concerning said offer and all other information with respect thereto which may be reasonably requested by Licensor.

(2) If the proposed lessee or transferee desires to operate the Hotel under the System, the proposed lessee or transferee will, with Licensee's consent, apply for a new license agreement to replace this Agreement for a term to be determined by Licensor. Licensor will process the application in good faith and in accordance with procedures, criteria and requirements regarding fees, upgrade of the Hotel, credit, operational abilities and capabilities, prior business dealings, if any, with the Licensor, market feasibility and other factors deemed relevant by Licensor, then being applied by Licensor in issuing new licenses to use the System. If the application is not approved by Licensor and Licensee proceeds with the purchase or lease of the Hotel, then this Agreement shall terminate pursuant to paragraph 12.C., and Licensor shall be entitled to all of its remedies. If the application is approved, Licensor and the transferee will, upon surrender of this Agreement, enter into a commitment agreement to govern the Hotel until the time specified therein for the new license agreement to be entered into if the transferee fulfills specified upgrading and other requirements. The new license agreement will be on the standard form, and contain the standard terms (except for duration) then being used to license new Hotels under the System.

11. Condemnation and Casualty.

A. Condemnation. Licensee shall, at the earliest possible time, give Licensor full notice of any proposed taking by eminent domain. If Licensor agrees that the Hotel or a substantial part thereof is to be taken, Licensor will give due and prompt consideration, without any obligation, to substituting a nearby location selected by Licensee and approved by Licensor as the Hotel hereunder as promptly as reasonably possible, and in any event within four months of the taking. If the new location is approved by Licensor and the substitution authorized by Licensor and if Licensee opens a new hotel at the new location in accordance with Licensor's specifications within two years of the closing of the Hotel, the new hotel will thenceforth be deemed to be the Hotel licensed under this Agreement. If a condemnation takes place and a new hotel does not, for whatever reason, become the Hotel under this Agreement in strict accordance with this paragraph (or if it is reasonably evident to Licensor that such will be the case), this Agreement will terminate forthwith upon notice thereof by Licensor to Licensee without the payment of liquidated damages required by paragraph 12.E.

B. Casualty.

(1) If the Hotel is destroyed or substantially destroyed during the License Term by fire or other casualty and the cost of repairing, restoring, rebuilding and replacing the same shall exceed the proceeds of the insurance collectible with respect to such fire or other casualty (for this purpose the deductible amount under the insurance policy shall be deemed to be collectible proceeds) and the Hotel

(a) for at least the full twelve month period preceding the casualty, did not have a positive cash flow after payment of all operating and ownership costs; or

(b) can be shown by appraisal to have an economic value less than the total cost to repair, restore, rebuild or replace, Licensee shall have the right upon notice served upon Licensor within sixty (60) days after such fire or casualty, to terminate this Agreement without the payment of liquidated damages required by paragraph 12.E.

(2) If the cost of repairing, restoring, rebuilding or replacing the damage shall be equal to or less than the proceeds of the insurance collectible with respect to such fire or other casualty, or, if greater and the Licensee did not meet (a) or (b) above or, if greater and the Licensee did meet (a) or (b) above, but did not give notice to Licensor within the sixty (60) day time period, Licensee shall expeditiously repair the damage.

If the damage or repair requires closing the Hotel, Licensee will immediately notify Licensor, will repair or rebuild the Hotel in accordance with Licensor's standards, will commence reconstruction within four months after closing, and will reopen the Hotel for continuous business operations as soon as practicable (but in any event within 24 months after closing of the Hotel), giving Licensor ample advance notice of the date of reopening. If the Hotel is not reopened in accordance with this paragraph, this Agreement will forthwith terminate upon notice thereof from Licensor to Licensee, with the payment of liquidated damages required by paragraph 12.E.

C. No Extensions of Term. Nothing in this paragraph 11 will extend the License Term but Licensee shall not be required to make any payments pursuant to paragraphs 3.B.(1), (3) and (4) for periods during which the Hotel is closed by reason of condemnation or casualty.

12. Termination.

A. Expiration of Term. This Agreement will expire without notice ___ years from the date hereof, subject to earlier termination as set forth herein. The parties recognize the difficulty of ascertaining damages to Licensor resulting from premature termination of this Agreement, and have provided for liquidated damages in paragraph 12.E. below, which represent the parties' best estimate as to the damages arising from the circumstances in which they are provided.

B. Termination by Licensor on Advance Notice.

(1) In accordance with notice from Licensor to Licensee, this Agreement will terminate (without any further notice unless required by law), or, at Licensor's sole discretion with notice from Licensor to Licensee, Licensor may cease to provide its services hereunder (including reservation services), provided that:

(a) the notice is mailed at least 30 days (or longer, if required by law) in advance of the termination date;
(b) the notice reasonably identifies one or more breaches of the Licensee's obligations hereunder; and
(c) the breach(es) are not fully remedied within the time period specified in the notice.

(2) If during the then preceding 12 months, Licensee shall have engaged in a violation of this Agreement for which a notice of termination was given and termination failed to take effect because the default was remedied, the period given to remedy defaults will, if and to the extent permitted by law, thereafter be 10 days instead of 30.

(3) In any judicial proceeding in which the validity of termination is at issue, Licensor will not be limited to the reasons set forth in any notice sent under this paragraph.

(4) Licensor's notice of termination or suspension of services shall not relieve Licensee of its obligations under this Agreement.

C. Immediate Termination by Licensor. This Agreement may be immediately terminated upon notice from Licensor to Licensee (or at the earliest time permitted by applicable law) if:

(1)(a) Licensee or any guarantor of Licensee's obligations hereunder generally does not pay its debts as they become due or shall admit in writing its inability to pay its debts, or shall make a general assignment for the benefit of creditors; or

(b) Licensee or any such guarantor shall commence any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law

relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property; or

(c) Licensee or any such guarantor shall take any corporate or other action to authorize any of the actions set forth above in paragraphs (a) or (b); or

(d) Any case, proceeding or other action against Licensee or any such guarantor shall be commenced seeking to have an order for relief entered against it as debtor, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, and such case, proceeding or other action (i) results in the entry of an order for relief against it which is not fully stayed within seven business days after the entry thereof or (ii) remaining undismissed for a period of 45 days; or

(e) An attachment remains on all or a substantial part of the Hotel or of Licensee's or any such guarantor's assets for 30 days; or

(f) Licensee or any such guarantor fails, within 60 days of the entry of a final judgment against Licensee in any amount exceeding $50,000, to discharge, vacate or reverse the judgment, or to stay execution of it, or if appealed, to discharge the judgment within 30 days after a final adverse decision in the appeal; or

(2) Licensee loses possession or the right to possession of all or a significant part of the Hotel, except as otherwise provided in paragraph 11; or

(3) Licensee contests in any court or proceeding Licensor's ownership of the System or any part of it, or the validity of any service marks or trademarks associated with Licensor's business; or

(4) A breach of paragraph 10 hereof occurs; or

(5) Licensee fails to continue to identify itself to the public as a System hotel; or

(6) Any action is taken toward dissolving or liquidating Licensee or any such guarantor, if it is a corporation or partnership, except for death of a partner; or

(7) Licensee or any of its principals is, or is discovered to have been, convicted of a felony (or any other offense if it is likely to adversely reflect upon or affect the Hotel, the System, the Licensor, the Licensor's parent or its affiliates or subsidiaries in any way); or

(8) Licensee knowingly maintains false books and records of account or knowingly submits false reports or information to Licensor.

D. De-identification of Hotel Upon Termination. Licensee will take whatever action is necessary to assure that no use is made of any part of the System at or in connection with the Hotel or otherwise after the License Term ends. This will involve, among other things, returning to Licensor the Manual and all other materials proprietary to Licensor, physical changes of distinctive System features of the Hotel, including removal of the primary freestanding sign, and all other actions required to preclude any possibility of confusion on the part of the public that the Hotel is no longer using all or any part of the System or otherwise holding itself out to the public as an Embassy Suites hotel. Anything not done by Licensee in this regard within 30 days after termination may be done at Licensee's expense by Licensor or its agents

who may enter upon the promises of the Hotel for that purpose.

E. Payment of Liquidated Damages. If the Agreement terminates pursuant to paragraphs 11.B(2), 12.B or 12.C above, Licensee will promptly pay Licensor (as liquidated damages for the premature termination only, and not as penalty or forfeiture, or in lieu of any other payment), a lump sum equal to the total amounts required under paragraph 3.B(1) and 3.B(3) during the lesser of the following: (i) 36 months of operation; or (ii) a number of months equal to one-half of the number of the calendar months remaining prior to the date of the License expiration set forth in this Agreement, as measured from the date of termination of this Agreement. The liquidated damages shall then be calculated by multiplying the applicable number of months (36 months or less) times the monthly average of the amounts required under paragraph 3.B(1) and 3.B(3) for the 12 months preceding the date of termination, or if the hotel has not been in operation as an Embassy Suites hotel for 12 months, then the actual number of months preceding the date of termination.

13. Agreement is Non-Renewable.

This Agreement is nonrenewable, except where otherwise may be provided by applicable law.

14. Relationship of Parties.

A. No Agency Relationship. Licensee is an independent contractor. Neither party is the legal representative or agent of or has the power to obligate (or has the right to direct or supervise the daily affairs of) the other for any purpose whatsoever. Licensor and Licensee expressly acknowledge that the relationship intended by them is a business relationship based entirely on and circumscribed by the express provisions of this Agreement and that no partnership, joint venture, agency, fiduciary or employment relationship is intended or created by reason of this Agreement.

B. Licensee's Notices to Public Concerning Independent Status. Licensee will take such steps as are necessary and such steps as Licensor may from time to time reasonably request to minimize the chance of a claim being made against Licensor for anything that occurs at the Hotel or for acts, omissions or obligations of Licensee or anyone associated or affiliated with Licensee or the Hotel. Such steps may, for example, include giving notice in guest rooms, public rooms and advertisements, on business forms and stationery, etc., making clear to the public that Licensor is not the owner or operator of the Hotel and is not accountable for what happens at the Hotel. Licensee shall not enter or execute any contracts in the name "Embassy Suites hotel," and all contracts for the Hotel's operations and services at the Hotel shall be in the name of Licensee or Licensee's approved management company. Unless required by law, Licensee will not use the word "Embassy," "Embassy Suites," or any similar words in its corporate, partnership, or trade name, nor authorize or permit such use by anyone else. Likewise the words "Embassy," "Embassy Suites," or any similar words will not be used to name or identify developments adjacent to or associated with the Hotel, nor will Licensee use such names in its general business in any manner separated from the business of the Hotel. Licensee will not use the words "Embassy" or "Embassy Suites" or any other name or mark associated with the System to incur any obligation or indebtedness on behalf of Licensor.

15. Miscellaneous.

A. Severability and Interpretation. The remedies provided in this Agreement are not exclusive. In the event any provision of this Agreement is held to be unenforceable, void or voidable as being contrary to the law or public policy of the United States or any other jurisdiction entitled to exercise authority hereunder, all remaining provisions shall nevertheless continue in full force and effect unless deletion of the provision(s) deemed unenforceable, void or voidable impairs the consideration for this

Agreement in a manner which frustrates the purpose of the parties or makes performance commercially impracticable. In the event any provision of this Agreement requires interpretation, such interpretation shall be based on the reasonable intention of the parties in the context of this transaction without interpreting any provision in favor of or against any party hereto by reason of the draftsmanship of the party or its position relative to the other party. Any covenant, term or provision of this Agreement which, in order to effect the intent of the parties, must survive the termination of this Agreement, shall survive any such termination.

B. Binding Effect. This Agreement shall become valid when executed and accepted by Licensor at Memphis, Tennessee and it shall be deemed made and entered into in the state of Tennessee and shall be governed and construed under and in accordance with the laws of the state of Tennessee. In entering into this Agreement, Licensee acknowledges that it has sought, voluntarily accepted and become associated with Licensor who is headquartered in Memphis, Tennessee, and that this Agreement contemplates and will result in business relationships with Licensor's headquarter's personnel. The choice of law designation permits, but does not require, that all lawsuits concerning this Agreement be filed in the state of Tennessee.

C. Exclusive Benefit. This Agreement is exclusively for the benefit of the parties hereto, and it may not give rise to liability to a third party. No agreement between Licensor and anyone else is for the benefit of Licensee.

D. Entire Agreement. This is the entire Agreement (and supersedes all previous agreements including without limitation, any commitment agreement between the parties concerning the Hotel) between the parties relating to the Hotel. Neither Licensor nor any other person on Licensor's behalf has made any representation to Licensee concerning this Agreement or relating to the system which representation is not fully set forth herein or in Licensor's "Offering Circular for Prospective Franchisees." No change in this Agreement will be valid unless in writing signed by both parties. No failure to require strict performance or to exercise any right or remedy hereunder will preclude requiring strict performance or exercising any right or remedy in the future.

E. Licensor's Withholding Consent. Licensor's consent, wherever required, may be withheld if any default by Licensee exists under this Agreement. Approvals and consents by Licensor will not be effective unless evidenced by a writing duly executed on behalf of Licensor.

F. Notices. Notices will be effective hereunder when and only when they are reduced to writing and delivered personally or mailed by Federal Express or comparable overnight delivery service or by certified mail to the appropriate party at its address first stated above or to such person and at such address as may be designated by notice hereunder.

G. General Release and Covenant Not to Sue. Licensee and its respective heirs, administrators, executors, agents, representatives, successors or assigns, hereby release, remise, acquit and forever discharge Licensor and its parent, subsidiaries, divisions and affiliates and their officers, directors, employees, agents, successors or assigns from any and all actions, claims, causes of action, suits, rights, debts, liabilities, accounts, agreements, covenants, contracts, promises, warrants, judgments, executions, demands, damages, costs and expenses, whether known or unknown, of any kind or nature, absolute or contingent, if any there be, at law or in equity from the beginning of time to and including the date this Agreement is signed by Licensor. Licensee and its respective heirs, representatives, successors and assigns do hereby covenant and agree that they will not institute any suit or action at law or otherwise against Licensor directly or indirectly relating to any claim released hereby by Licensee. This release and covenant not to sue shall survive the termination of this Agreement. Licensee shall take whatever steps are

necessary or appropriate to carry out the terms of this release and covenant not to sue upon Licensor's request.

H. Descriptive Headings. The descriptive headings in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision in this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first stated above.

LICENSEE:

LICENSOR:

EMBASSY SUITES, INC.

By: _____

Name: _____

Title: _____
Embassy Suites Hotel Division

Attest: _____
Assistant Secretary

Date: _____

ATTACHMENT A

Facilities and Services (paragraph 1):

Site-Area and general description:

Fee owners (names and addresses):

Leases (parties, terms, etc.), if any:

Separate parcels for signs:

Number of approved guest suites:

Hotel Management Company:

Restaurant(s) and lounge(s) (number, seating capacity, names and description, tenant):

Meeting and function space:

Indoor and outdoor recreational facilities (pool, whirlpool, exercise room, sauna, etc.):

Atrium:

Gift shop:

Other concessions and shops:

Parking facilities (number of spaces, description):

Other facilities and services:

Ownership of Licensee:

Authorized signatories:

GUARANTY

EXECUTED _____ , 199__

As an inducement to Embassy Suites, Inc. ("Licensor") to execute the _____ Agreement dated _____ with _____ (the "Agreement"), the undersigned ("Guarantor"), jointly and severally, hereby unconditionally warrant to Licensor and its successors and assigns that all of Licensee's representations in the Agreement and the application submitted by Licensee to obtain the License are true and further guarantee, absolutely, unconditionally and irrevocably to Licensor that all of Licensee's obligations under the Agreement, including any amendments thereto whenever made, will be punctually paid and performed.

Upon default or failure to cure within the time specified in this Agreement by Licensee or notice from Licensor, the undersigned Guarantor will immediately make each payment (including reasonable counsel fees) and perform each obligation required of Licensee under the Agreement. Without affecting the obligations of Guarantor under this Guaranty, Licensor may without notice to Guarantor extend, modify or release any indebtedness or obligation of Licensee, or settle, adjust or compromise any claims against Licensee. Guarantor waives notice of amendment of the Agreement and notice of demand for payment or performance by Licensee.

All monies available to the Licensor for application in payment or reduction of the indebtedness or obligations of Licensee may be applied by the Licensor in such manner and in such amounts and at such time or times and in such order and priority as the Licensor may see fit to the payment or reduction of such portion of the indebtedness or obligations as the Licensor may elect.

Guarantor hereby waives (a) notice of acceptance of this Guaranty and of the making of the Agreement by the Licensor to the Licensee; (b) presentment and demand for payment of the indebtedness or obligations under the Agreement or any portion thereof; (c) protest and notice of dishonor or default to the undersigned or to any other person or party with respect to the Agreement or any portion thereof; (d) all other notices to which the undersigned might otherwise be entitled; and (e) any demand for payment under this Guaranty.

The Guaranty constitutes a guaranty of payment and performance and not of collection, and each Guarantor specifically waives any obligation of Licensor to proceed against Licensee on any money or property held by Licensee or by any other person or entity as collateral security, by way of set off or otherwise. Guarantor further agrees that this Guaranty shall continue to be effective or be reinstated as the case may be, if at any time payment or any of the guaranteed obligations is rescinded or must otherwise be restored or returned by Licensor upon the insolvency, bankruptcy or reorganization of Licensee or any of the undersigned, all as though such payment has not been made.

No delay on the part of the Licensor in exercising any rights hereunder or under the documents executed in connection with the Agreement or the failure to exercise the same shall operate as a waiver of such rights; no notice to or demand on Guarantor shall be deemed to be a waiver of the obligation of Guarantor or of the right of the Licensor to take further action without notice or demand as provided herein; nor in any event shall any modification or waiver of the provisions of this Guaranty be effective unless in writing nor shall any such waiver be applicable except in the specific instance for which given.

Notwithstanding any payments made by the undersigned pursuant to the provisions of this Guaranty, Guarantor shall have no right of subrogation in and to the Agreement or the payment of the obligations thereof until the indebtedness or performance has been paid in full to the Licensor.

Each reference herein to the Licensor shall be deemed to include its successors and assigns, in whose favor the provisions of this Guaranty shall also inure. Each reference herein to Guarantor shall be deemed to include the

heirs, executors, administrators, legal representatives, successors and assigns of Guarantor, all of whom shall be bound by the provisions of this Guaranty.

Upon the death of an individual Guarantor, the estate of such Guarantor will be bound by this Guaranty but only for defaults and obligations hereunder existing at the time of death, and the obligations of the other Guarantors will continue in full force and effect.

This Guaranty is, and shall be deemed to be, a contract entered into under and pursuant to the laws of the state of Tennessee and shall be in all respects governed, construed, applied and enforced in accordance with the laws of said state.

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty as of the date of the above Agreement.

Witnesses:	Guarantors:
_____	_____ (Seal)
_____	_____ (Seal)
_____	_____ (Seal)

HAMPTON INN HOTEL DIVISION
6800 POPLAR AVENUE, SUITE 200
MEMPHIS, TENNESSEE 38138

HAMPTON INN(R)
LICENSE AGREEMENT

Dated _____, 19__ between Hampton Inn Hotel Division of

Embassy Suites, Inc., a Delaware corporation ("Licensor"), and

a _____ resident / corporation / partnership ("Licensee"), whose

address is _____

_____.

THE PARTIES AGREE AS FOLLOWS:

1. The License.

Licensor owns, operates and licenses a system designed to provide a distinctive, high quality hotel service to the public under the name "Hampton Inn" and "Hampton Inn & Suites" (the "System"). High standards established by Licensor are the essence of the System. Future investments may be required of Licensee under this Agreement. Licensee has independently investigated the risks of the business to be operated hereunder, including current and potential market conditions, competitive factors and risks, has read Licensor's "Offering Circular for Prospective Franchisees," and has made an independent evaluation of all such facts. Aware of the relevant facts, Licensee desires to enter into this Agreement in order to obtain a license to use the System in the operation of a Hampton Inn hotel located at _____ _____ (the "Hotel")

a. The Hotel. The Hotel comprises all structures, facilities, appurtenances, furniture, fixtures, equipment, and entry, exit, parking and other areas from time to time located on the land identified on the plot plan most recently submitted to and acknowledged by Licensor in anticipation of the execution of this Agreement, or located on any land from time to time approved by Licensor for additions, signs or other facilities. The Hotel now includes the facilities listed on Attachment A hereto. No change in the number of approved guest rooms and no other significant change in the Hotel may be made without Licensor's approval. Redecoration and minor structural changes that comply with Licensor's standards and specifications will not be considered significant. Licensee represents that it is entitled to possession of the Hotel during the entire License Term without restrictions that would interfere with anything contemplated in this Agreement.

b. The System. The System is composed of elements, as designated from time to time by Licensor, designed to identify "Hampton Inn hotels" and "Hampton Inn & Suites hotels" to the consuming public and/or to contribute to such identification and its association with quality standards. The System at present includes the service marks "Hampton Inn" and "Hampton Inn & Suites" and such other service marks and such copyrights, trademarks and similar property rights as may be designated from time to time by Licensor to be part of the System; access to a reservation service; distribution of advertising, publicity and other marketing programs and materials; the furnishing of training programs and materials, standards, specifications and policies for construction, furnishing, operation, appearance and service of the Hotel, and other requirements as stated or referred to in this Agreement and from time to time in Licensor's Standards Manual (the "Manual") or in other communications to Licensee; and programs for inspecting the Hotel and consulting with Licensee. Licensor may add elements to the System or modify, alter or delete elements of the System at its sole discretion from time to time. Licensee is only authorized to use "Hampton Inn" service marks and trademarks at or in connection with the Hotel.

2. Grant of License.

Licensor hereby grants to Licensee a nonexclusive license (the "License") to use the System only at the Hotel, but only in connection with the operation of a Hampton Inn hotel and only in accordance with this Agreement and only during the "License Term" beginning with the date hereof and terminating as provided in Paragraph 10. The License applies to the location of the Hotel specified herein and no other. This Agreement does not limit Licensor's right, or the rights of any parent, subsidiary, division or affiliate of Licensor, to use or license to others the System or any part thereof or to engage in or license any business activity at any other location. Licensee acknowledges that Licensor, its parent, subsidiaries, divisions, and affiliates are and may in the future be engaged in other business activities including activities involving transient lodging and related activities which may be or may be deemed to be competitive with the System; that facilities, programs, services and/or personnel used in connection with the System may also be used in connection with such other business activities of Licensor, its parent, subsidiaries, divisions or affiliates; and that Licensee is acquiring no rights hereunder other than the right to use the System in connection with a Hampton Inn hotel as specifically

defined herein in accordance with the terms of this Agreement.

3. Licensee's Responsibilities.

a. Operational and Other Requirements. During the License Term, Licensee will:

(1) maintain a high moral and ethical standard and atmosphere at the Hotel;

(2) maintain the Hotel in a clean, safe and orderly manner and in first class condition;

(3) provide efficient, courteous and high-quality service to the public;

(4) operate the Hotel 24 hours a day every day except as otherwise permitted by Licensor based on special circumstances;

(5) strictly comply in all respects with the Manual and with all other policies, procedures and requirements of Licensor which may be from time to time communicated to Licensee;

(6) strictly comply with Licensor's reasonable requirements to protect the System and the Hotel from unreliable sources of supply;

(7) strictly comply with Licensor's requirements as to:

(a) the types of services and products that may be used, promoted or offered at the Hotel;

(b) the types and quality of services and products that, to supplement services listed on Attachment A, must be used, promoted or offered at the Hotel;

(c) use, display, style and type of signage;

(d) directory and reservation service listings of the Hotel;

(e) training of persons to be involved in the operation of the Hotel;

(f) participation in all marketing, reservation service, advertising, training and operating programs designated by Licensor as System-wide (or area-wide) programs in the best interests of hotels using the System;

(g) maintenance, appearance and condition of the Hotel; and

(h) quality and type of service offered to customers at the Hotel.

(8) use such automated guest service and/or hotel management and/or telephone system(s) which Licensor deems to be in the best interests of the System, including any additions, enhancements, supplements or variants thereof which may be developed during the term hereof;

(9) participate in and use those reservation services which Licensor deems to be in the best interests of the System, including any additions, enhancements, supplements or variants thereof which may be developed during the term hereof;

(10) adopt improvements or changes to the System as may be from time to time designated by Licensor;

(11) strictly comply with all governmental requirements, including the filing and maintenance of any required trade name or fictitious name registrations, pay all taxes, and maintain all governmental licenses and permits necessary to operate the Hotel in accordance with the System;

(12) permit inspection of the Hotel by Licensor's representatives at any time and give them free lodging for such time as may be reasonably necessary to complete their inspections;

(13) promote the Hotel on a local or regional basis subject to Licensor's requirements as to form, content and prior approvals;

(14) insure that no part of the Hotel or the System is used to further or promote a competing business or other lodging facility, except as Licensor may approve for those competing businesses or lodging facilities owned, licensed, operated or otherwise approved by Licensor or its parent, divisions, subsidiaries and/or affiliates;

(15) use every reasonable means to encourage use of Hampton Inn and Hampton Inn & Suites facilities everywhere by the public;

(16) in all respects use Licensee's best efforts to reflect credit upon and create favorable public response to the name "Hampton Inn" and "Hampton Inn & Suites";

(17) promptly pay to Licensor all amounts due Licensor, its parent, divisions, subsidiaries and/or affiliates as royalties or fees or for goods or services purchased by Licensee; and

(18) comply with Licensor's requirements concerning confidentiality of information.

b. Upgrading of the Hotel. Licensor may at any time during the term hereof require substantial modernization, rehabilitation and other upgrading of the Hotel. Limited exceptions from those standards may be made by Licensor based on local conditions or special circumstances. If the upgrading requirements contained in this Paragraph 3.b. cause Licensee undue hardship, Licensee may terminate this Agreement by paying a fee computed according to Paragraph 10.f.

c. Fees.

(1) For each month (or part of a month) during the License Term, Licensee will pay to Licensor by the 15th of the following month:

(a) a royalty fee of 4 percent of the gross revenues attributable to or payable for rental of guest rooms at the Hotel with deductions for sales and room taxes only ("Gross Rooms Revenue");

(b) a "Marketing/Reservation Contribution" of 4 percent of Gross Rooms Revenue, this contribution being subject to change by Licensor from time to time, which payments do not include the cost of reservation services equipment or installation or maintenance of it or training; and

(c) an amount equal to any sales, gross receipts or similar tax imposed on Licensor and calculated solely on payment required hereunder, unless the tax is an optional alternative to an income tax otherwise payable by Licensor.

Licensee will operate the Hotel so as to maximize Gross Rooms Revenue of the Hotel consistent with sound marketing and industry practice and will not engage in any conduct which reduces Gross Rooms Revenue of the Hotel in order to further other business activities.

(2) Additional royalties may be charged on revenues (or upon any other basis, if so determined by Licensor) from any activity if it is added at the Hotel by mutual agreement and:

(a) it is not now offered at System hotels generally and it is likely to benefit significantly from or be identified significantly with the Hampton Inn or Hampton Inn & Suites name or other aspects of the System; or

(b) it is designed or developed by or for Licensor.

(3) Charges may be made by Licensor for optional products or services accepted by Licensee from Licensor either in accordance with current practice or as developed in the future.

(4) A standard initial fee for quest room additions to a hotel as set forth in Licensor's then current "Offering Circular for Prospective Franchisees" shall be paid by Licensee to Licensor on Licensee's submission of an application to add any guest rooms to the Hotel. As a condition to Licensor granting its approval of such application, Licensor may require Licensee to upgrade the Hotel, subject to Paragraph 3.b.

(5) Local and regional marketing programs and related activities may be conducted by Licensee, but only at Licensee's expense and subject to Licensor's requirements. Reasonable charges may be made by Licensor for optional advertising materials ordered or used by Licensee for such programs and activities.

(6) Licensee shall participate in Licensor's travel agent commission program(s) as it may be modified from time to time and shall reimburse Licensor on or before the 15th of each month for travel agent commissions paid by Licensor.

(7) Each payment under this Paragraph 3.c. shall be accompanied by the monthly statement referred to in Paragraph 6. Licensor may apply any amounts received under this paragraph to any amounts due under this Agreement. If any amounts are not paid when due, such non-payment shall constitute a breach of this Agreement and, in

addition, such unpaid amounts will accrue interest beginning on the first day of the month following the due date at 1 1/2 percent per month but not to exceed the maximum interest permitted by applicable law.

4. Licensor's Responsibilities.

a. Training. During the License Term, Licensor will continue to specify and provide required and optional training programs at various locations. Reasonable charges may be made for required training services and materials. Charges may also be made by Licensor for optional training services and materials provided to Licensee. Travel, lodging and other expenses of Licensee and its employees will be borne by Licensee.

b. Reservation Services. During the License Term, so long as Licensee is in full compliance with its material obligations hereunder, Licensor will afford Licensee access to reservation services for the Hotel.

c. Consultation on Operations, Facilities and Marketing. Licensor will, from time to time at Licensor's sole discretion, make available to Licensee consultation and advice in connection with operations, facilities and marketing. Licensor shall have the right to establish fees in advance for its advice and consultation on a project-by-project basis.

d. Use of Marketing/Reservation Contribution. The Marketing/Reservation Contribution will be used by Licensor for costs associated with advertising, promotion, publicity, market research and other marketing programs and related activities, including reservation programs and services. Licensor is not obligated to expend funds for marketing or reservation services in excess of the amounts received from licensees using the System.

e. Application of Manual. All hotels operated under the System will be subject to the Manual, as it may from time to time be modified or revised by Licensor, including limited exceptions from compliance which may be made based on local conditions or special circumstances. Each change in the Manual must be explained in writing to Licensee at least 30 days before it goes into effect.

f. Other Arrangements for Marketing, Etc. Licensor may enter into arrangements for development, marketing, operations, administrative, technical and support functions, facilities, programs, services and/or personnel with any other entity and may use any facilities, programs, services and/or personnel used in connection with the System in connection with any business activities of its parent, subsidiaries, divisions or affiliates.

g. Compliance Assistance. If the Hotel fails to comply with the standards and rules of operation set forth in the Manual, Licensor may, at its option and at Licensee's cost, meet with the Licensee at the Hotel to develop a plan to ensure that the Hotel thereafter complies with the standards and rules of operation set forth in the Manual.

5. Proprietary Rights.

a. Ownership of System. Licensee acknowledges and will not contest, either directly or indirectly, Licensor's unrestricted and exclusive ownership of the System and any element(s) or component(s) thereof, and acknowledges that Licensor has the sole right to grant licenses to use all or any element(s) or component(s) of the System. Licensee specifically agrees and acknowledges that Licensor is the owner of all right, title and interest in and to the service mark "Hampton Inn" and all other marks associated with the System together with the goodwill symbolized thereby and that Licensee will not contest directly or indirectly the validity or ownership of the marks either during the term of this Agreement or at any time thereafter. All improvements and additions whenever made to or associated with the System by the parties to this Agreement or anyone else,

and all service marks, trademarks, copyrights, and service mark and trademark registrations at any time used, applied for or granted in connection with the System, and all goodwill arising from Licensee's use of Licensor's marks shall inure to the benefit of and become the property of Licensor. Upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Licensee's use of the System or any element(s) or component(s) of the System including the name or marks.

b. Trademark Disputes. Licensor will have the sole right and responsibility to handle disputes with third parties concerning use of all or any part of the System, and Licensee will, at its reasonable expense, extend its full cooperation to Licensor in all such matters. All recoveries made as a result of disputes with third parties regarding use of the System or any part thereof shall be for the account of Licensor. Licensor need not initiate suit against alleged imitators or infringers and may settle any dispute by grant of a license or otherwise. Licensee will not initiate any suit or proceeding against alleged imitators or infringers or any other suit or proceeding to enforce or protect the System.

c. Protection of Name and Marks. Both parties will make every effort consistent with the foregoing to protect and maintain the names and marks "Hampton Inn", "Hampton Inn & Suites" and its distinguishing characteristics (and the other service marks, trademarks, slogans, etc., associated with the System). Licensee agrees to execute any documents deemed necessary by Licensor or its counsel to obtain protection for Licensor's marks or to maintain their continued validity and enforceability. Licensee agrees to use the names and marks associated with the System only in connection with the operation of a Hampton Inn hotel and in the manner authorized by Licensor and acknowledges that any unauthorized use thereof shall constitute infringement of Licensor's rights.

6. Records and Audits.

a. Monthly Reports. At least monthly, Licensee shall prepare a statement which will include all information concerning Gross Rooms Revenue, other revenues generated at the Hotel, room occupancy rates, reservation data and other information required by Licensor that may be useful in connection with marketing and other functions of Licensor, its parent, subsidiaries, divisions or affiliates (the "Data"). The Data shall be the property of Licensor. The Data will be permanently recorded and retained as may be reasonably required by Licensor. By the 15th of each month, Licensee will submit to Licensor a statement setting forth the Data for the previous month and reflecting the computation of the amounts then due under Paragraph 3.c. The statement will be in such form and detail as Licensor may reasonably request from time to time, and may be used by Licensor for its reasonable purposes.

b. Daily Reports. At the request of Licensor, Licensee shall prepare and deliver daily reports to Licensor, which reports will contain information reasonably requested by Licensor on a daily basis, such as daily rate and room occupancy, and which may be used by Licensor for its reasonable purposes.

c. Preparation and Maintenance of Records. Licensee shall, in a manner and form satisfactory to Licensor and utilizing accounting and reporting standards as reasonably required by Licensor, prepare on a current basis (and preserve for no less than four years), complete and accurate records concerning Gross Rooms Revenue and all financial, operating, marketing and other aspects of the Hotel, and maintain an accounting system which fully and accurately reflects all financial aspects of the Hotel and its business. Such records shall include but not be limited to books of account, tax returns, governmental reports, register tapes, daily reports, and complete quarterly and annual financial statements (profit and loss statements, balance sheets and cash flow statements).

d. Audit. Licensor may require Licensee to have the Gross Rooms Revenue or other monies due hereunder computed and certified as accurate by a certified public accountant. During the License Term and for two years thereafter, Licensor and its authorized agents shall have the right to verify information required under this Agreement by requesting, receiving, inspecting and auditing, at all reasonable times, any and all records referred to above wherever they may be located (or elsewhere if reasonably requested by Licensor). If any such inspection or audit discloses a deficiency in any payments due hereunder, Licensee shall immediately pay to Licensor the deficiency and Licensee shall also immediately pay to Licensor the entire cost of the inspection and audit, including but not limited to, travel, lodging, meals, salaries and other expenses of the inspecting or auditing personnel. Licensor's acceptance of Licensee's payment of any deficiency as provided for herein shall not waive Licensor's right to terminate this Agreement as provided for herein in Paragraph 10. If the audit discloses an overpayment, Licensor shall immediately refund it to Licensee.

e. Annual Financial Statements. Licensee will submit to Licensor as soon as available but not later than 90 days after the end of Licensee's fiscal year, complete financial statements for such year. Licensee will certify them to be true and correct and to have been prepared in accordance with generally accepted accounting principles consistently applied, and any false certification will be a breach of this Agreement.

7. Indemnity and Insurance.

a. Indemnity. Licensee will indemnify, during and after the term of this Agreement, Licensor, its parent, and their respective subsidiaries, divisions and affiliates and their officers, directors, employees, agents, successors and assigns against, hold them harmless from, and promptly reimburse them for, all payments of money (fines, damages, legal fees, expenses, etc.) by reason of any claim, demand, tax, penalty, or judicial or administrative investigation or proceeding (even where negligence of Licensor and/or its parent, and/or their subsidiaries, divisions and affiliates and/or their officers, directors, employees, agents, successors and assigns is actual or alleged) arising from any claimed occurrence at the Hotel or arising from, as a result of or in connection with the design, construction, furnishings, equipment and acquisition of supplies or any other of Licensee's acts, omissions or obligations or those of anyone associated or affiliated with Licensee or the Hotel. At the election of Licensor, Licensee will also defend Licensor and/or its parent, and their subsidiaries, divisions and affiliates and/or their officers, directors, employees, agents, successors and assigns against same. In any event, Licensor will have the right, through counsel of its choice, to control any matter to the extent it could directly or indirectly affect Licensor and/or its parent, and their subsidiaries, divisions and affiliates and their officers, directors, employees, agents, successors and assigns financially. Licensee will also reimburse Licensor for all expenses, including attorneys' fees and court costs, reasonably incurred by Licensor to protect itself and/or its parent, and their subsidiaries, divisions and affiliates and/or their officers, directors, employees, agents and their successors and assigns from, or to remedy Licensee's defaults under this Agreement.

b. Insurance. During the License Term, Licensee will comply with all insurance requirements of any lease or mortgage covering the Hotel, and Licensor's specifications for insurance as to amount and type of coverage as may be reasonably specified by Licensor from time to time in writing, and will in any event maintain as a minimum the following insurance underwritten by an insurer approved by Licensor:

(1) employer's liability and workers' compensation insurance as prescribed by applicable law; and

(2) liquor liability insurance, if applicable, naming Licensor,

Embassy Suites, Inc. and The Promus Companies Incorporated as additional insureds with single-limit coverage for personal and bodily injury and property damage of at least $10,000,000 for each occurrence; and

(3) comprehensive general liability insurance (with products, completed operations and independent contractors coverage) and comprehensive automobile liability insurance, all on an occurrence basis naming Licensor, Embassy Suites, Inc. and The Promus Companies Incorporated as additional insureds and underwritten by an insurer approved by Licensor, with single-limit coverage for personal and bodily injury and property damage of at least $10,000,000 for each occurrence. In connection with all significant construction at the Hotel during the License Term, Licensee will cause the general contractor to maintain with an insurer approved by Licensor comprehensive general liability insurance (with products, completed operations and independent contractors coverage) in at least the amount of $10,000,000 for each occurrence with Licensor, Embassy Suites, Inc. and The Promus Companies Incorporated named as additional insureds.

c. Changes in Insurance. Simultaneously herewith, annually hereafter and each time a change is made in any insurance or insurance carrier, Licensee will furnish to Licensor certificates of insurance including the term and coverage of the insurance in force, the persons insured, and the fact that the coverage may not be cancelled, altered or permitted to lapse or expire without 30 days advance written notice to Licensor.

8. Transfer.

a. Transfer by Licensor. Licensor shall have the right to transfer or assign this Agreement or any of Licensor's rights or obligations hereunder to any person or legal entity.

b. Transfer by Licensee. Licensee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Licensee, and that Licensor has entered into this Agreement in reliance on the business skill, financial capacity, and personal character of Licensee (if Licensee is an individual), and that of the partners or stockholders of Licensee (if Licensee is a partnership or corporation). Accordingly, neither Licensee nor any immediate or remote successor to any part of Licensee's interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns an equity interest (as that term is defined herein) in Licensee, shall sell, assign, transfer, convey, pledge, mortgage, encumber, or give away any direct or indirect interest in this Agreement or equity interest in Licensee, except as provided in this Agreement. Any purported sale, assignment, transfer, conveyance, pledge, mortgage, or encumbrance, by operation of law or otherwise, of any interest in this Agreement or any equity interest in Licensee not in accordance with the provisions of this Agreement, shall be null and void and shall constitute a material breach of this Agreement, for which Licensor may terminate this Agreement upon notice without opportunity to cure pursuant to Paragraph 10.d.(4).

(1) For the purposes of this Paragraph 8, the term "equity interest" shall mean any stock or partnership interest in Licensee, the interest of any partner, whether general or limited, in any partnership with respect to such partnership, and any stockholder of any corporation with respect to such corporation, which partnership or corporation is the Licensee hereunder or which partnership or corporation owns a direct or indirect beneficial interest in Licensee. References in this Agreement to "publicly-traded equity interest" shall mean any equity interest which is traded on any securities exchange or is quoted in any publication or electronic reporting service maintained by the National Association of Securities Dealers, Inc. or any of its successors.

(2) If Licensee is a partnership or corporation, Licensee represents that the equity interests in Licensee are directly and (if applicable) indirectly owned as shown in Attachment A hereto.

c. Transfer of Equity Interests that are not Publicly Traded.

(1) Except where otherwise provided in this Agreement, equity interests in the Licensee that are not publicly traded may be transferred, issued, or eliminated with Licensor's prior written consent, which will not be unreasonably withheld, provided that after the transaction:

(a) 50 percent or less of all equity interests in Licensee will have changed hands since Licensee first became a party to this Agreement, or

(b) 80 percent or less of all equity interests in Licensee will have changed hands since Licensee first became a party to this Agreement, and no equity interest will be held by other than those who held them when Licensee first became a party to this Agreement.

(2) In computing the percentages referred to in Paragraph 8.c.(1) above, limited partners will not be distinguished from general partners, and Licensor's judgment will be final if there is any question as to the definition of "equity interest" or as to the computation of relative equity interests, the principal considerations being:

(a) Direct and indirect power to exercise control over the affairs of Licensee; and

(b) Direct and indirect right to share in Licensee's profits; and

(c) Amounts directly or indirectly exposed to risk in Licensee's business.

d. Transfers of Publicly-Traded Equity interests.

(1) Except as otherwise provided in this Agreement, publicly-traded equity interests in the Licensee may be transferred without the Licensor's consent, but only if:

(a) Immediately before the proposed transfer the transferor owns less than 25 percent of the equity interest of Licensee; and

(b) Immediately after the transfer the transferee will own less than 25 percent of the equity interest in Licensee; and

(c) The transfer is exempt from registration under federal securities law.

(2) Publicly-traded equity interests may be transferred with Licensor's written consent, which may not be unreasonably withheld, if the transfer is exempt from registration under federal securities law.

(3) The chief financial officer of Licensee shall certify annually to Licensor that Licensee is in compliance with the provisions of this Paragraph 8.d. Such certification shall be delivered to Licensor with the Annual Financial Statements referred to in Paragraph 6.e. hereof.

e. Transfer of the License.

(1) Licensee, if a natural person, may with Licensor's consent, which will not be unreasonably withheld, transfer the License to Licensee's

spouse, parent, sibling, niece, nephew, descendant, or spouse's descendant provided that:

(a) Adequate provision is made for management of the Hotel; and

(b) The transferee executes a new license agreement for the unexpired term of this Agreement, on the standard form then being used to license new hotels under the System, except that the fees charged then shall be the same as those contained herein; and

(c) Licensee guarantees, in Licensor's usual form, the performance of the transferee's obligations under the newly-executed license agreement.

(2) If Licensee is a natural person, he may, without the consent of Licensor, upon 30 days prior written notice to Licensor, transfer the License to a corporation entirely owned by him, provided that:

(a) Adequate provision is made for management of the Hotel; and

(b) The transferee executes a new license agreement for the unexpired term of this Agreement on the standard form then being used to license new hotels under the System, except that the fees charged then shall be the same as those contained herein; and

(c) The Licensee guarantees in Licensor's usual form, the performance of the transferee's obligations under the newly-executed license agreement.

f. Transfers of the License or Equity Interest in the Licensee Upon Death.

(1) If Licensee is a natural person, upon the Licensee's death, the License will pass in accordance with Licensee's will, or, if Licensee dies intestate, in accordance with laws of intestacy governing the distribution of the Licensee's estate, provided that:

(a) Adequate provision is made for management of the Hotel; and

(b) Licensor gives written consent, which consent will not be unreasonably withheld; and

(c) The transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants, or spouse's descendants; and

(d) Licensee's heirs or legatees, promptly advise Licensor and promptly execute a new license agreement for the unexpired term of this Agreement, on the standard form then being used to license new hotels under the System, except the fees charged thereunder shall be the same contained herein.

(2) If an equity interest is owned by a natural person, the equity interest will pass upon such person's death in accordance with such person's will or, if such person dies intestate, in accordance with the laws of intestacy governing the distribution of such person's estate, provided that:

(a) Adequate provision is made for management of the Hotel; and

(b) Licensor gives written consent, which consent will not be unreasonably withheld; and

(c) The transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants, or spouse's descendants; and

(d) The transferee assumes, in writing, on a continuing basis, the decedent's guarantee, if any, of the Licensee's obligations hereunder.

g. Registration of a Proposed Transfer of Equity Interests. If a proposed transfer of an equity interest in the Licensee requires registration under any federal or state securities law, Licensee shall:

(1) Request Licensor's consent at least 45 days before the proposed effective date of the registration; and

(2) Accompany such request with one payment of a nonrefundable fee of $25,000; and

(3) Reimburse Licensor for expenses incurred by Licensor in connection with review of the materials concerning the proposed registration, including without limitation, attorneys' fees and travel expenses; and

(4) Agree, and all participants in the proposed offering subject to registration shall agree, to fully indemnify Licensor in connection with the registration; furnish Licensor all information requested by Licensor; avoid any implication of Licensor's participating in, or endorsing the offering; and use Licensor's service marks and trademarks only as directed by Licensor.

h. Management of the Hotel. Licensee must at all times retain and exercise direct management control over the Hotel's business. Licensee shall not enter into any lease, management agreement, or other similar arrangement for the operation of the Hotel or any part thereof with any independent entity without the prior written consent of Licensor.

i. Application for New License Agreement upon Transfer of the Hotel.

(1) If Licensee wishes to transfer the Hotel, or any interest of Licensee in the Hotel, Licensee shall give prompt written notice thereof to Licensor, stating the identity of the prospective transferee and the terms and conditions of the transfer, including a copy of any proposed agreement and all other information with respect thereto, which Licensor may reasonably require.

(2) If Licensee proposes to transfer the Hotel or any interest of Licensee in the Hotel to a transferee who desires thereafter to operate the Hotel under the System, the proposed transferee must, with Licensee's consent, apply for a new license agreement to replace this Agreement for a term to be determined by Licensor. Licensor shall process the application in good faith and in accordance with procedures, criteria and requirements regarding fees, upgrade of the Hotel, credit, operational abilities and capabilities, prior business dealings, if any, with Licensor, market feasibility and other factors deemed relevant by Licensor, then being applied by Licensor in issuing new licenses to use the System. If the application is approved, Licensor and the transferee shall, upon surrender of this Agreement, enter into a commitment agreement to govern the Hotel until the time specified therein for the new license agreement to be entered into if the transferee fulfills specified upgrading and other requirements by that time. The new license agreement shall be on the standard form, and contain the standard terms (except for duration), then being used to license new hotels under the System. If the application is not approved by Licensor, then this Agreement shall terminate pursuant to Paragraph 10.d. hereof and Licensor shall be entitled to all of its remedies.

9. Condemnation and Casualty.

a. Condemnation. Licensee shall, at the earliest possible time, give

Licensor full notice of any proposed taking by eminent domain. If Licensor agrees that the Hotel or a substantial part thereof is to be taken, Licensor will give due and prompt consideration, without any obligation, to transferring this Agreement to a nearby location selected by Licensee and approved by Licensor as promptly as reasonably possible, and in any event within four months of the taking. If the new location is approved by Licensor and the transfer authorized by Licensor and if Licensee opens a new hotel at the new location in accordance with Licensor's specifications within two years of the closing of the Hotel, the new hotel will thenceforth be deemed to be the Hotel licensed under this Agreement. If a condemnation takes place and a new hotel does not, for whatever reason, become the Hotel under this Agreement in strict accordance with this paragraph (or if it is reasonably evident to Licensor that such will be the case), this Agreement will terminate forthwith upon notice thereof by Licensor to Licensee, without the payment of liquidated damages hereunder.

b. Casualty. If the Hotel is damaged by fire or other casualty, Licensee will expeditiously repair the damage. If the damage or repair requires closing the Hotel, Licensee will immediately notify Licensor, will repair or rebuild the Hotel in accordance with Licensor's standards, will commence reconstruction within four months after closing, and will reopen the Hotel for continuous business operations as soon as practicable (but in any event within 24 months after closing of the Hotel), giving Licensor ample advance notice of the date of reopening. If the Hotel is not reopened in accordance with this paragraph, this Agreement will forthwith terminate, upon notice thereof by Licensor to Licensee, with the payment of liquidated damages calculated in the manner set forth in Paragraph 10.f.

c. No Extensions of Term. Nothing in this Paragraph 9 will extend the License Term but Licensee shall not be required to make any payments pursuant to paragraphs 3.c.(l), (2) and (3) for periods during which the Hotel is closed by reason of condemnation or casualty.

10. Termination.

a. Expiration of Term. This Agreement will expire without notice 20 years from the date hereof, subject to earlier termination as set forth herein. The parties recognize the difficulty of ascertaining damages to Licensor resulting from premature termination of this Agreement, and have provided for liquidated damages in Paragraph 10.f. below, which liquidated damages represent the parties' best estimate as to the damages arising from the circumstances in which they are provided.

b. Permitted Termination Prior to Expiration of Term. Licensee may terminate this Agreement on its 10th or 15th anniversary by giving at least 12 but less than 15 months advance notice to Licensor accompanied by a lump sum payment (as liquidated damages and not as a penalty or in lieu of any other payments required under this Agreement) equal to the total of all amounts required under paragraphs 3.c.(l), (2) and (3) for the 24 calendar months of operation preceding the notice.

c. Termination by Licensor on Advance Notice.

(1) In accordance with notice from Licensor to Licensee, this Agreement will terminate (without any further notice unless required by law) or, at Licensor's sole discretion with notice from Licensor to Licensee, Licensor may suspend its services hereunder (including reservation services), provided that:

(a) the notice is mailed at least 30 days (or longer, if required by law) in advance of the termination date;

(b) the notice reasonably identifies one or more breaches of Licensee's obligations hereunder; and

(c) the breach(es) are not fully remedied within the time period specified in the notice.

(2) If during the then preceding 12 months Licensee shall have engaged in a violation of this Agreement for which a notice of termination was given and termination failed to take effect because the default was remedied, the period given to remedy defaults thereafter will, if and to the extent permitted by law, thereafter be 10 days instead of 30.

(3) In any judicial proceeding in which the validity of termination is at issue, Licensor will not be limited to the reasons set forth in any notice sent under this paragraph.

(4) Licensor's notice of termination or suspension of services shall not relieve Licensee of its obligation hereunder.

d. Immediate Termination by Licensor. This Agreement may be immediately terminated upon notice from Licensor to Licensee (or at the earliest time permitted by applicable law) if:

(1) (a) Licensee or any guarantor of Licensee's obligations hereunder shall generally not pay its debts as they become due or shall admit in writing its inability to pay its debts, or shall make a general assignment for the benefit of creditors; or

(b) Licensee or any such guarantor shall commence any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property; or

(c) Licensee or any such guarantor shall take any corporate or other action to authorize any of the actions set forth above in paragraphs (a) or (b); or

(d) Any case, proceeding or other action against Licensee or any such guarantor shall be commenced seeking to have an order for relief entered against it as debtor, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, and such case, proceeding or other action (i) results in the entry of an order for relief against it which is not fully stayed within seven business days after the entry thereof or (ii) remains undismissed for a period of 45 days; or

(e) An attachment remains on all or a substantial part of the Hotel or of Licensee's or any such guarantor's assets for 30 days; or

(f) Licensee or any such guarantor fails, within 60 days of the entry of a final judgment against Licensee in any amount exceeding $50,000, to discharge, vacate or reverse the judgment, or to stay execution of it, or if appealed, to discharge the judgment within 30 days after a final adverse decision in the appeal; or

(2) Licensee loses possession or the right to possession of all or a significant part of the Hotel, except as otherwise provided in Paragraph 9; or

(3) Licensee contests in any court or proceeding Licensor's ownership of the System or any part of it, or the validity of any service marks or trademarks associated with Licensor's business; or

(4) A breach of Paragraph 8 hereof occurs; or

(5) Licensee fails to continue to identify itself to the public as a System hotel; or

(6) Any action is taken toward dissolving or liquidating Licensee or any such guarantor, if it is a corporation or partnership, except for death of a partner; or

(7) Licensee or any of its principals is, or is discovered to have been, convicted of a felony (or any other offense if it is likely to adversely reflect upon or affect the Hotel, the System, the Licensor, the Licensor's parent or its affiliates or subsidiaries in any way); or

(8) Licensee maintains false books and records of account or submits false reports or information to Licensor.

e. De-identification of Hotel Upon Termination. Licensee will take whatever action is necessary to assure that no use is made of any part of the System at or in connection with the Hotel or otherwise after the License Term ends. This will involve, among other things, returning to Licensor the Manual and all other materials proprietary to Licensor, physical changes of distinctive System features of the Hotel, including removal of the primary freestanding sign down to the structural steel, and all other actions required to preclude any possibility of confusion on the part of the public that the Hotel is no longer using all or any part of the System or otherwise holding itself out to the public as a Hampton Inn hotel. Anything not done by Licensee in this regard within 30 days after termination of this Agreement may be done at Licensee's expense by Licensor or its agents, who may enter upon the premises of the Hotel for that purpose.

f. Payment of Liquidated Damages. If this Agreement terminates pursuant to paragraphs 3.b., 9.b., 10.c. or 10.d. above, Licensee will promptly pay Licensor (only as liquidated damages for the premature termination of this Agreement, and not as a penalty or as damages for breaching this Agreement or in lieu of any other payment) a lump sum equal to the total amounts required under paragraphs 3.c.(1), (2) and (3) during the 36 full calendar months of operation preceding the termination; or if the Hotel has not been in operation in the System for 36 full calendar months, the greater of: (i) 36 times the monthly average of such amounts, or (ii) 36 times such amounts as are due for the one full calendar month preceding such termination. If the Hotel has been authorized to open as a Hampton Inn hotel but has not been in operation for one full calendar month, the liquidated damages amount shall be equal to the product of the number of guest rooms in the Hotel multiplied by $3,000.00.

11. Renewal.

This Agreement is non-renewable.

12. Relationship of Parties.

a. No Agency Relationship. Licensee is an independent contractor. Neither party is the legal representative or agent of, or has the power to obligate (or has the right to direct or supervise the daily affairs of) the other for any purpose whatsoever. Licensor and Licensee expressly acknowledge that the relationship intended by them is a business relationship based entirely on, and defined by, the express provisions of this Agreement and that no partnership, joint venture, agency, fiduciary or employment relationship is intended or created by reason of this Agreement.

b. Licensee's Notices to Public Concerning Independent Status. Licensee will take such steps as are necessary and such steps as Licensor may from time to time reasonably request to minimize the chance of a claim being made against Licensor for anything that occurs at the Hotel, or for acts, omissions or obligations of Licensee or anyone associated or affiliated with Licensee or the Hotel. Such steps may, for example, include giving notice in guest rooms, public rooms and advertisements, on business forms and stationery, etc., making clear to the public that Licensor is not the owner or operator of the Hotel and is not accountable for what happens at the Hotel. Unless required by law, Licensee will not use the word "Hampton" or any similar words in its corporate, partnership, or trade name, nor authorize or permit such use by anyone else. Licensee will not use the words "Hampton" or "Hampton Inn" or any other name or mark associated with the System to incur any obligation or indebtedness on behalf of Licensor.

13. Miscellaneous.

a. Severability and Interpretation. The remedies provided in this Agreement are not exclusive. In the event any provision of this Agreement is held to be unenforceable, void or voidable as being contrary to the law or public policy of the United States or any other jurisdiction entitled to exercise authority hereunder, all remaining provisions shall nevertheless continue in full force and effect unless deletion of the provision(s) deemed unenforceable, void or voidable impairs the consideration for this Agreement in a manner which frustrates the purpose of the parties or makes performance commercially impracticable. In the event any provision of this Agreement requires interpretation, such interpretation shall be based on the reasonable intention of the parties in the context of this transaction without interpreting any provision in favor of or against any party hereto by reason of the drafting of the party or its position relative to the other party. Any covenant, term or provision of this Agreement which, in order to effect the intent of the parties, must survive the termination of this Agreement, shall survive any such termination.

b. Binding Effect. This Agreement shall become valid when executed and accepted by Licensor at Memphis, Tennessee. It shall be deemed made and entered into in the state of Tennessee and shall be governed and construed under and in accordance with the laws of the state of Tennessee. In entering into this Agreement, Licensee acknowledges that it has sought, voluntarily accepted and become associated with Licensor who is headquartered in Memphis, Tennessee, and that this Agreement contemplates and will result in business relationships with Licensor's headquarter's personnel. The choice of law designation permits, but does not require that all suits concerning this Agreement be filed in the state of Tennessee.

c. Exclusive Benefit. This Agreement is exclusively for the benefit of the parties hereto, and it may not give rise to liability to a third party, except as otherwise specifically set forth herein. No agreement between Licensor and anyone else is for the benefit of Licensee.

d. Entire Agreement. This is the entire Agreement (and supersedes all previous agreements including without limitation, any commitment agreement between the parties concerning the Hotel) between the parties relating to the Hotel. Neither Licensor nor any other person on Licensor's behalf has made any representation to Licensee concerning this Agreement or relating to the system which representation is not fully set forth herein or in Licensor's "Offering Circular for Prospective Franchisees." No change in this Agreement will be valid unless in writing signed by both parties. No failure to require strict performance or to exercise any right or remedy hereunder will preclude requiring strict performance or exercising any right or remedy in the future.

e. Licensor's Withholding Consent. Licensor's consent, wherever required, may be withheld if any default by Licensee exists under this Agreement.

Approvals and consents by Licensor will not be effective unless evidenced by a writing duly executed on behalf of Licensor.

f. Notices. Notices will be effective hereunder when and only when they are reduced to writing and delivered personally or mailed by Federal Express or other express delivery service or by certified mail to the appropriate party at its address first stated above or to such person and at such address as may be designated by notice hereunder.

g. General Release. Licensee and its respective heirs, administrators, executors, agents, representatives and their respective successors and assigns, hereby release, remise, acquit and forever discharge Licensor and its parent, subsidiaries, divisions and affiliates and their officers, directors, employees, agents, representatives and their respective successors and assigns from any and all actions, claims, causes of action, suits, rights, debts, liabilities, accounts, agreements, covenants, contracts, promises, warrants, judgments, executions, demands, damages, costs and expenses, whether known or unknown at this time, of any kind or nature, absolute or contingent, if any there be, at law or in equity, on account of any matter, cause or thing whatsoever which has happened, developed or occurred at any time from the beginning of time to and including the date of Licensee's execution and delivery to Licensor of this Agreement. This release shall survive the termination of this Agreement, Licensee shall take whatever steps are necessary or appropriate to carry out the terms of this release upon Licensor's request.

h. Descriptive Headings. The descriptive headings in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision in this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first stated above.

LICENSEE:	LICENSOR:
_____	HAMPTON INN HOTEL DIVISION OF EMBASSY SUITES, INC.
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

GUARANTY

Date:

As an inducement to the Hampton Inn Hotel Division of Embassy Suites, Inc. ("Licensor") to execute the above License Agreement, the undersigned, jointly and severally, hereby unconditionally warrant to Licensor and its successors and assigns that all of Licensee's representations in the License Agreement and the application submitted by Licensee to obtain the License Agreement are true and guarantee that all of Licensee's obligations under the above License Agreement, including any amendments thereto whenever made (the "Agreement"), will be punctually paid and performed.

Upon default by Licensee or notice from Licensor, the undersigned will immediately make each payment and perform each obligation required of Licensee under the Agreement. Without affecting the obligations of the undersigned under this Guaranty, Licensor may without notice to the undersigned extend, modify or release any indebtedness or obligation of Licensee, or settle, adjust or compromise any claims against Licensee. The undersigned waive notice of amendment of the Agreement and notice of demand for payment or performance by Licensee.

Upon the death of an individual guarantor, the estate of such guarantor will be bound by this Guaranty but only for defaults and obligations hereunder existing at the time of death, and the obligations of the other guarantors will continue in full force and effect.

The Guaranty constitutes a guaranty of payment and performance and not of collection, and each of the guarantors specifically waives any obligation of Licensor to proceed against Licensee on any money or property held by Licensee or by any other person or entity as collateral security, by way of set off or otherwise. The undersigned further agree that this Guaranty shall continue to be effective or be reinstated as the case may be, if at any time payment or any of the guaranteed obligations is rescinded or must otherwise be restored or returned by Licensor upon the insolvency, bankruptcy or reorganization of Licensee or any of the undersigned, all as though such payment has not been made.

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty as of the date of the above Agreement.

Witnesses: Guarantors:

_____ _____ (Seal)

_____ _____ (Seal)

_____ _____ (Seal)

ATTACHMENT A

Facilities and Services (Paragraph 1):

Site-Area and general description:

Fee owners (names and addresses):

Leases (parties, terms, etc.), if any:

Number of approved guest rooms:

Parking facilities (number of spaces, description):

Swimming pool:

Other facilities and services:

Ownership of Licensee (Paragraph 8):

HAMPTON INN HOTEL DIVISION
6800 POPLAR AVENUE, SUITE 200
MEMPHIS, TENNESSEE 38138

HAMPTON INN & SUITESsm
LICENSE AGREEMENT

Dated _____, 19__ between Hampton Inn Hotel Division of

Embassy Suites, Inc., a Delaware corporation ("Licensor"), and

a _____ resident / corporation / partnership ("Licensee"), whose

address is _____

_____.

THE PARTIES AGREE AS FOLLOWS:

1. The License.

Licensor owns, operates and licenses a system designed to provide a distinctive, high quality hotel service to the public under the name "Hampton Inn" and "Hampton Inn & Suites" (the "System"). High standards established by Licensor are the essence of the System. Future investments may be required of Licensee under this Agreement. Licensee has independently investigated the risks of the business to be operated hereunder, including current and potential market conditions, competitive factors and risks, has read Licensor's "Offering Circular for Prospective Franchisees," and has made an independent evaluation of all such facts. Aware of the relevant facts, Licensee desires to enter into this Agreement in order to obtain a license to use the System in the operation of a Hampton Inn & Suites hotel located at _____

_____ (the "Hotel").

a. The Hotel. The Hotel comprises all structures, facilities, appurtenances, furniture, fixtures, equipment, and entry, exit, parking and other areas from time to time located on the land identified on the plot plan most recently submitted to and acknowledged by Licensor in anticipation of the execution of this Agreement, or located on any land from time to time approved by Licensor for additions, signs or other facilities. The Hotel now includes the facilities listed on Attachment A hereto. No change in the number of approved guest rooms and/or suites (guest rooms and suites hereinafter collectively referred to as "Guest Rooms") and no other significant change in the Hotel may be made without Licensor's approval. Redecoration and minor structural changes that comply with Licensor's standards and specifications will not be considered significant. Licensee represents that it is entitled to possession of the Hotel during the entire License Term without restrictions that would interfere with anything contemplated in this Agreement.

b. The System. The System is composed of elements, as designated from time to time by Licensor, designed to identify "Hampton Inn" hotels and "Hampton Inn & Suites hotels" to the consuming public and/or to contribute to such identification and its association with quality standards. The System at present includes the service marks "Hampton Inn" and "Hampton Inn & Suites" and such other service marks and such copyrights, trademarks and similar property rights as may be designated from time to time by Licensor to be part of the System; access to a reservation service; distribution of advertising, publicity and other marketing programs and materials; the furnishing of training programs and materials, standards, specifications and policies for construction, furnishing, operation, appearance and service of the Hotel, and other requirements as stated or referred to in this Agreement and from time to time in Licensor's Standards Manual (the "Manual") or in other communications to Licensee; and programs for inspecting the Hotel and consulting with Licensee. Licensor may add elements to the System or modify, alter or delete elements of the System at its sole discretion from time to time. Licensee is only authorized to use the "Hampton Inn & Suites" service marks and trademarks at or in connection with the Hotel.

2. Grant of License.

Licensor hereby grants to Licensee a nonexclusive license (the "License") to use the System only at the Hotel, but only in connection with the operation of a Hampton Inn & Suites hotel and only in accordance with this Agreement and only during the "License Term" beginning with the date hereof and terminating as provided in Paragraph 10. The License applies to the location of the Hotel specified herein and no other. This Agreement does not limit Licensor's right, or the rights of any parent, subsidiary, division or affiliate of Licensor, to use or license to others the System or any part thereof or to engage in or license any business activity at any other location. Licensee acknowledges that Licensor, its parent, subsidiaries, divisions, and affiliates are and may in the future be engaged in other business activities including activities involving transient lodging and related activities which may be or may be deemed to be competitive with the System; that facilities, programs, services and/or personnel used in connection with the System may also be used in connection with such other business activities of Licensor, its parent, subsidiaries, divisions or affiliates; and that Licensee is acquiring no rights hereunder other than the

right to use the System in connection with a Hampton Inn & Suites hotel as specifically defined herein in accordance with the terms of this Agreement.

3. Licensee's Responsibilities.

a. Operational and Other Requirements. During the License Term, Licensee will:

(1) maintain a high moral and ethical standard and atmosphere at the Hotel;

(2) maintain the Hotel in a clean, safe and orderly manner and in first class condition;

(3) provide efficient, courteous and high-quality service to the public;

(4) operate the Hotel 24 hours a day every day except as otherwise permitted by Licensor based on special circumstances;

(5) strictly comply in all respects with the Manual and with all other policies, procedures and requirements of Licensor which may be from time to time communicated to Licensee;

(6) strictly comply with Licensor's reasonable requirements to protect the System and the Hotel from unreliable sources of supply;

(7) strictly comply with Licensor's requirements as to:

(a) the types of services and products that may be used, promoted or offered at the Hotel;

(b) the types and quality of services and products that, to supplement services listed on Attachment A, must be used, promoted or offered at the Hotel;

(c) use, display, style and type of signage;

(d) directory and reservation service listings of the Hotel;

(e) training of persons to be involved in the operation of the Hotel;

(f) participation in all marketing, reservation service, advertising, training and operating programs designated by Licensor as System-wide (or area-wide) programs in the best interests of hotels using the System;

(g) maintenance, appearance and condition of the Hotel; and

(h) quality and type of service offered to customers at the Hotel.

(8) use such automated guest service and/or hotel management and/or telephone system(s) which Licensor deems to be in the best interests of the System, including any additions, enhancements, supplements or variants thereof which may be developed during the term hereof;

(9) participate in and use those reservation services which Licensor deems to be in the best interests of the System, including any additions, enhancements, supplements or variants thereof which may be developed during the term hereof;

(10) adopt improvements or changes to the System as may be from time to time designated by Licensor;

(11) strictly comply with all governmental requirements, including the filing and maintenance of any required trade name or fictitious name registrations, pay all taxes, and maintain all governmental licenses and permits necessary to operate the Hotel in accordance with the System;

(12) permit inspection of the Hotel by Licensor's representatives at any time and give them free lodging for such time as may be reasonably necessary to complete their inspections;

(13) promote the Hotel on a local or regional basis subject to Licensor's requirements as to form, content and prior approvals;

(14) insure that no part of the Hotel or the System is used to further or promote a competing business or other lodging facility, except as Licensor may approve for those competing businesses or lodging facilities owned, licensed, operated or otherwise approved by Licensor or its parent, divisions, subsidiaries and/or affiliates;

(15) use every reasonable means to encourage use of Hampton Inn and Hampton Inn & Suites facilities everywhere by the public;

(16) in all respects use Licensee's best efforts to reflect credit upon and create favorable public response to the name "Hampton Inn" and "Hampton Inn & Suites";

(17) promptly pay to Licensor all amounts due Licensor, its parent, divisions, subsidiaries and/or affiliates as royalties or fees or for goods or services purchased by Licensee; and

(18) comply with Licensor's requirements concerning confidentiality of information.

b. Upgrading of the Hotel. Licensor may at any time during the term hereof require substantial modernization, rehabilitation and other upgrading of the Hotel. Limited exceptions from those standards may be made by Licensor based on local conditions or special circumstances. If the upgrading requirements contained in this Paragraph 3.b. cause Licensee undue hardship, Licensee may terminate this Agreement by paying a fee computed according to Paragraph 10.f.

c. Fees.

(1) For each month (or part of a month) during the License Term, Licensee will pay to Licensor by the 15th of the following month:

(a) a royalty fee of 4 percent of the gross revenues attributable to or payable for rental of Guest Rooms at the Hotel with deductions for sales and room taxes only ("Gross Rooms Revenue");

(b) a "Marketing/Reservation Contribution" of 4 percent of Gross Rooms Revenue, this contribution being subject to change by Licensor from time to time, which payments do not include the cost of reservation services equipment or installation or maintenance of it or training; and

(c) an amount equal to any sales, gross receipts or similar tax imposed on Licensor and calculated solely on payment required hereunder, unless the tax is an optional alternative to an income tax otherwise payable by Licensor.

Licensee will operate the Hotel so as to maximize Gross Rooms Revenue of the Hotel consistent with sound marketing and industry practice and will not engage in any conduct which reduces Gross Rooms Revenue of the Hotel in order to further other business activities.

(2) Additional royalties may be charged on revenues (or upon any other basis, if so determined by Licensor) from any activity if it is added at the Hotel by mutual agreement and:

(a) it is not now offered at System hotels generally and it is likely to benefit significantly from or be identified significantly with the Hampton Inn and/or the Hampton Inn & Suites name or other aspects of the System; or

(b) it is designed or developed by or for Licensor.

(3) Charges may be made by Licensor for optional products or services accepted by Licensee from Licensor either in accordance with current practice or as developed in the future.

(4) A standard initial fee for Guest Room additions to a hotel as set forth in Licensor's then current "Offering Circular for Prospective Franchisees" shall be paid by Licensee to Licensor on Licensee's submission of an application to add any Guest Rooms to the Hotel. As a condition to Licensor granting its approval of such application, Licensor may require Licensee to upgrade the Hotel, subject to Paragraph 3.b.

(5) Local and regional marketing programs and related activities may be conducted by Licensee, but only at Licensee's expense and subject to Licensor's requirements. Reasonable charges may be made by Licensor for optional advertising materials ordered or used by Licensee for such programs and activities.

(6) Licensee shall participate in Licensor's travel agent commission program(s) as it may be modified from time to time and shall reimburse Licensor on or before the 15th of each month for travel agent commissions paid by Licensor.

(7) Each payment under this Paragraph 3.c. shall be accompanied by the monthly statement referred to in Paragraph 6. Licensor may apply any amounts received under this paragraph to any amounts due under this Agreement. If any amounts are not paid when due, such non-payment shall constitute a breach of this Agreement and, in addition, such unpaid amounts will accrue interest beginning on the first day of the month following the due date at 1 1/2 percent per month but not to exceed the maximum interest permitted by applicable law.

4. Licensor's Responsibilities.

a. Training. During the License Term, Licensor will continue to specify and provide required and optional training programs at various locations. Reasonable charges may be made for required training services and materials. Charges may also be made by Licensor for optional training services and materials provided to Licensee. Travel, lodging and other expenses of Licensee and its employees will be borne by Licensee.

b. Reservation Services. During the License Term, so long as Licensee is in full compliance with its material obligations hereunder, Licensor will afford Licensee access to reservation services for the Hotel.

c. Consultation on Operations, Facilities and Marketing. Licensor will, from time to time at Licensor's sole discretion, make available to Licensee consultation and advice in connection with operations, facilities and marketing. Licensor shall have the right to establish fees in advance for its advice and consultation on a project-by-project basis.

d. Use of Marketing/Reservation Contribution. The Marketing/Reservation Contribution will be used by Licensor for costs associated with advertising, promotion, publicity, market research and other marketing programs and related activities, including reservation programs and services. Licensor is not obligated to expend funds for marketing or reservation services in excess of the amounts received from licensees using the System.

e. Application of Manual. All hotels operated under the System will be subject to the Manual, as it may from time to time be modified or revised by Licensor, including limited exceptions from compliance which may be made based on local conditions or special circumstances. Each change in the Manual must be explained in writing to Licensee at least 30 days before it goes into effect.

f. Other Arrangements for Marketing, Etc. Licensor may enter into arrangements for development, marketing, operations, administrative, technical and support functions, facilities, programs, services and/or personnel with any other entity and may use any facilities, programs, services and/or personnel used in connection with the System in connection with any business activities of its parent, subsidiaries, divisions or affiliates.

g. Compliance Assistance. If the Hotel fails to comply with the standards and rules of operation set forth in the Manual, Licensor may, at its option and at Licensee's cost, meet with the Licensee at the Hotel to develop a plan to ensure that the Hotel thereafter complies with the standards and rules of operation set forth in the Manual.

5. Proprietary Rights.

a. Ownership of System. Licensee acknowledges and will not contest, either directly or indirectly, Licensor's unrestricted and exclusive ownership of the System and any element(s) or component(s) thereof, and acknowledges that Licensor has the sole right to grant licenses to use all or any element(s) or component(s) of the System. Licensee specifically agrees and acknowledges that Licensor is the owner of all right, title and interest in and to the service marks "Hampton Inn, "Hampton Inn & Suites" and all other marks associated with the System together with the goodwill symbolized thereby and that Licensee will not contest directly or indirectly the validity or ownership of the marks either during the term of this Agreement or at any time thereafter. All improvements and additions whenever made to or associated with the System by the parties to this Agreement or anyone else, and all service marks, trademarks, copyrights, and service mark and trademark registrations at any time used, applied for or granted in connection with the System, and all goodwill arising from Licensee's use of Licensor's marks shall inure to the benefit of and become the property of Licensor. Upon expiration or termination of this Agreement, no monetary amount shall be

assigned as attributable to any goodwill associated with Licensee's use of the System or any element(s) or component(s) of the System including the name or marks.

b. Trademark Disputes. Licensor will have the sole right and responsibility to handle disputes with third parties concerning use of all or any part of the System, and Licensee will, at its reasonable expense, extend its full cooperation to Licensor in all such matters. All recoveries made as a result of disputes with third parties regarding use of the System or any part thereof shall be for the account of Licensor. Licensor need not initiate suit against alleged imitators or infringers and may settle any dispute by grant of a license or otherwise. Licensee will not initiate any suit or proceeding against alleged imitators or infringers or any other suit or proceeding to enforce or protect the System.

c. Protection of Name and Marks. Both parties will make every effort consistent with the foregoing to protect and maintain the names and marks "Hampton Inn," "Hampton Inn & Suites," and its distinguishing characteristics (and the other service marks, trademarks, slogans, etc., associated with the System). Licensee agrees to execute any documents deemed necessary by Licensor or its counsel to obtain protection for Licensor's marks or to maintain their continued validity and enforceability. Licensee agrees to use the names and marks associated with the System only in connection with the operation of a Hampton Inn & Suites hotel and in the manner authorized by Licensor and acknowledges that any unauthorized use thereof shall constitute infringement of Licensor's rights.

6. Records and Audits.

a. Monthly Reports. At least monthly, Licensee shall prepare a statement which will include all information concerning Gross Rooms Revenue, other revenues generated at the Hotel, room occupancy rates, reservation data and other information required by Licensor that may be useful in connection with marketing and other functions of Licensor, its parent, subsidiaries, divisions or affiliates (the "Data"). The Data shall be the property of Licensor. The Data will be permanently recorded and retained as may be reasonably required by Licensor. By the 15th of each month, Licensee will submit to Licensor a statement setting forth the Data for the previous month and reflecting the computation of the amounts then due under Paragraph 3.c. The statement will be in such form and detail as Licensor may reasonably request from time to time, and may be used by Licensor for its reasonable purposes.

b. Daily Reports. At the request of Licensor, Licensee shall prepare and deliver daily reports to Licensor, which reports will contain information reasonably requested by Licensor on a daily basis, such as daily rate and room occupancy, and which may be used by Licensor for its reasonable purposes.

c. Preparation and Maintenance of Records. Licensee shall, in a manner and form satisfactory to Licensor and utilizing accounting and reporting standards as reasonably required by Licensor, prepare on a current basis (and preserve for no less than four years), complete and accurate records concerning Gross Rooms Revenue and all financial, operating, marketing and other aspects of the Hotel, and maintain an accounting system which fully and accurately reflects all financial aspects of the Hotel and its business. Such records shall include but not be limited to books of account, tax returns, governmental reports, register tapes, daily reports, and complete quarterly and annual financial statements (profit and loss statements, balance sheets and cash flow statements).

d. Audit. Licensor may require Licensee to have the Gross Rooms Revenue or other monies due hereunder computed and certified as accurate by a certified public accountant. During the License Term and for two years thereafter, Licensor and its authorized agents shall have the right to verify information required under this Agreement by requesting, receiving, inspecting and auditing, at all reasonable times, any and all records referred to above

wherever they may be located (or elsewhere if reasonably requested by Licensor). If any such inspection or audit discloses a deficiency in any payments due hereunder, Licensee shall immediately pay to Licensor the deficiency and Licensee shall also immediately pay to Licensor the entire cost of the inspection and audit, including but not limited to, travel, lodging, meals, salaries and other expenses of the inspecting or auditing personnel. Licensor's acceptance of Licensee's payment of any deficiency as provided for herein shall not waive Licensor's right to terminate this Agreement as provided for herein in Paragraph 10. If the audit discloses an overpayment, Licensor shall immediately refund it to Licensee.

e. Annual Financial Statements. Licensee will submit to Licensor as soon as available but not later than 90 days after the end of Licensee's fiscal year, complete financial statements for such year. Licensee will certify them to be true and correct and to have been prepared in accordance with generally accepted accounting principles consistently applied, and any false certification will be a breach of this Agreement.

7. Indemnity and Insurance.

a. Indemnity. Licensee will indemnify, during and after the term of this Agreement, Licensor, its parent, and their respective subsidiaries, divisions and affiliates and their officers, directors, employees, agents, successors and assigns against, hold them harmless from, and promptly reimburse them for, all payments of money (fines, damages, legal fees, expenses, etc.) by reason of any claim, demand, tax, penalty, or judicial or administrative investigation or proceeding (even where negligence of Licensor and/or its parent, and/or their subsidiaries, divisions and affiliates and/or their officers, directors, employees, agents, successors and assigns is actual or alleged) arising from any claimed occurrence at the Hotel or arising from, as a result of or in connection with the design, construction, furnishings, equipment and acquisition of supplies or any other of Licensee's acts, omissions or obligations or those of anyone associated or affiliated with Licensee or the Hotel. At the election of Licensor, Licensee will also defend Licensor and/or its parent, and their subsidiaries, divisions and affiliates and/or their officers, directors, employees, agents, successors and assigns against same. In any event, Licensor will have the right, through counsel of its choice, to control any matter to the extent it could directly or indirectly affect Licensor and/or its parent, and their subsidiaries, divisions and affiliates and their officers, directors, employees, agents, successors and assigns financially. Licensee will also reimburse Licensor for all expenses, including attorneys' fees and court costs, reasonably incurred by Licensor to protect itself and/or its parent, and their subsidiaries, divisions and affiliates and/or their officers, directors, employees, agents and their successors and assigns from, or to remedy Licensee's defaults under this Agreement.

b. Insurance. During the License Term, Licensee will comply with all insurance requirements of any lease or mortgage covering the Hotel, and Licensor's specifications for insurance as to amount and type of coverage as may be reasonably specified by Licensor from time to time in writing, and will in any event maintain as a minimum the following insurance underwritten by an insurer approved by Licensor:

(1) employer's liability and workers' compensation insurance as prescribed by applicable law; and

(2) liquor liability insurance, if applicable, naming Licensor, Embassy Suites, Inc. and The Promus Companies Incorporated as additional insureds with single-limit coverage for personal and bodily injury and property damage of at least $10,000,000 for each occurrence; and

(3) comprehensive general liability insurance (with products, completed operations and independent contractors coverage) and comprehensive automobile liability insurance, all on an occurrence basis naming Licensor, Embassy Suites, Inc. and The Promus Companies Incorporated as additional

insureds and underwritten by an insurer approved by Licensor, with single-limit coverage for personal and bodily injury and property damage of at least $10,000,000 for each occurrence. In connection with all significant construction at the Hotel during the License Term, Licensee will cause the general contractor to maintain with an insurer approved by Licensor comprehensive general liability insurance (with products, completed operations and independent contractors coverage) in at least the amount of $10,000,000 for each occurrence with Licensor, Embassy Suites, Inc. and The Promus Companies Incorporated named as additional insureds.

c. Changes in Insurance. Simultaneously herewith, annually hereafter and each time a change is made in any insurance or insurance carrier, Licensee will furnish to Licensor certificates of insurance including the term and coverage of the insurance in force, the persons insured, and the fact that the coverage may not be cancelled, altered or permitted to lapse or expire without 30 days advance written notice to Licensor.

8. Transfer.

a. Transfer by Licensor. Licensor shall have the right to transfer or assign this Agreement or any of Licensor's rights or obligations hereunder to any person or legal entity.

b. Transfer by Licensee. Licensee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Licensee, and that Licensor has entered into this Agreement in reliance on the business skill, financial capacity, and personal character of Licensee (if Licensee is an individual), and that of the partners or stockholders of Licensee (if Licensee is a partnership or corporation). Accordingly, neither Licensee nor any immediate or remote successor to any part of Licensee's interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns an equity interest (as that term is defined herein) in Licensee, shall sell, assign, transfer, convey, pledge, mortgage, encumber, or give away any direct or indirect interest in this Agreement or equity interest in Licensee, except as provided in this Agreement. Any purported sale, assignment, transfer, conveyance, pledge, mortgage, or encumbrance, by operation of law or otherwise, of any interest in this Agreement or any equity interest in Licensee not in accordance with the provisions of this Agreement, shall be null and void and shall constitute a material breach of this Agreement, for which Licensor may terminate this Agreement upon notice without opportunity to cure pursuant to Paragraph 10.d.(4).

(1) For the purposes of this Paragraph 8, the term "equity interest" shall mean any stock or partnership interest in Licensee, the interest of any partner, whether general or limited, in any partnership with respect to such partnership, and any stockholder of any corporation with respect to such corporation, which partnership or corporation is the Licensee hereunder or which partnership or corporation owns a direct or indirect beneficial interest in Licensee. References in this Agreement to "publicly-traded equity interest" shall mean any equity interest which is traded on any securities exchange or is quoted in any publication or electronic reporting service maintained by the National Association of Securities Dealers, Inc. or any of its successors.

(2) If Licensee is a partnership or corporation, Licensee represents that the equity interests in Licensee are directly and (if applicable) indirectly owned as shown in Attachment A hereto.

c. Transfer of Equity Interests that are not Publicly Traded.

(1) Except where otherwise provided in this Agreement, equity interests in the Licensee that are not publicly traded may be transferred, issued, or eliminated with Licensor's prior written consent, which will not be unreasonably withheld, provided that after the transaction:

(a) 50 percent or less of all equity interests in Licensee will have changed hands since Licensee first became a party to this Agreement, or

(b) 80 percent or less of all equity interests in Licensee will have changed hands since Licensee first became a party to this Agreement, and no equity interest will be held by other than those who held them when Licensee first became a party to this Agreement.

(2) In computing the percentages referred to in Paragraph 8.c.(1) above, limited partners will not be distinguished from general partners, and Licensor's judgment will be final if there is any question as to the definition of "equity interest" or as to the computation of relative equity interests, the principal considerations being:

(a) Direct and indirect power to exercise control over the affairs of Licensee; and

(b) Direct and indirect right to share in Licensee's profits; and

(c) Amounts directly or indirectly exposed to risk in Licensee's business.

d. Transfers of Publicly-Traded Equity interests.

(1) Except as otherwise provided in this Agreement, publicly-traded equity interests in the Licensee may be transferred without the Licensor's consent, but only if:

(a) Immediately before the proposed transfer the transferor owns less than 25 percent of the equity interest of Licensee; and

(b) Immediately after the transfer the transferee will own less than 25 percent of the equity interest in Licensee; and

(c) The transfer is exempt from registration under federal securities law.

(2) Publicly-traded equity interests may be transferred with Licensor's written consent, which may not be unreasonably withheld, if the transfer is exempt from registration under federal securities law.

(3) The chief financial officer of Licensee shall certify annually to Licensor that Licensee is in compliance with the provisions of this Paragraph 8.d. Such certification shall be delivered to Licensor with the Annual Financial Statements referred to in Paragraph 6.e. hereof.

e. Transfer of the License.

(1) Licensee, if a natural person, may with Licensor's consent, which will not be unreasonably withheld, transfer the License to Licensee's spouse, parent, sibling, niece, nephew, descendant, or spouse's descendant provided that:

(a) Adequate provision is made for management of the Hotel; and

(b) The transferee executes a new license agreement for the unexpired term of this Agreement, on the standard form then being used to license new hotels under the System, except that the fees charged then shall be the same as those contained herein; and

(c) Licensee guarantees, in Licensor's usual form, the performance of the transferee's obligations under the newly-executed license agreement.

(2) If Licensee is a natural person, he may, without the consent of Licensor, upon 30 days prior written notice to Licensor, transfer the License to a corporation entirely owned by him, provided that:

(a) Adequate provision is made for management of the Hotel; and

(b) The transferee executes a new license agreement for the unexpired term of this Agreement on the standard form then being used to license new hotels under the System, except that the fees charged then shall be the same as those contained herein; and

(c) The Licensee guarantees in Licensor's usual form, the performance of the transferee's obligations under the newly-executed license agreement.

f. Transfers of the License or Equity Interest in the Licensee Upon Death.

(1) If Licensee is a natural person, upon the Licensee's death, the License will pass in accordance with Licensee's will, or, if Licensee dies intestate, in accordance with laws of intestacy governing the distribution of the Licensee's estate, provided that:

(a) Adequate provision is made for management of the Hotel; and

(b) Licensor gives written consent, which consent will not be unreasonably withheld; and

(c) The transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants, or spouse's descendants; and

(d) Licensee's heirs or legatees, promptly advise Licensor and promptly execute a new license agreement for the unexpired term of this Agreement, on the standard form then being used to license new hotels under the System, except the fees charged thereunder shall be the same contained herein.

(2) If an equity interest is owned by a natural person, the equity interest will pass upon such person's death in accordance with such person's will or, if such person dies intestate, in accordance with the laws of intestacy governing the distribution of such person's estate, provided that:

(a) Adequate provision is made for management of the Hotel; and

(b) Licensor gives written consent, which consent will not be unreasonably withheld; and

(c) The transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants, or spouse's descendants; and

(d) The transferee assumes, in writing, on a continuing basis, the decedent's guarantee, if any, of the Licensee's obligations hereunder.

g. Registration of a Proposed Transfer of Equity Interests. If a proposed transfer of an equity interest in the Licensee requires registration under any federal or state securities law, Licensee shall:

(1) Request Licensor's consent at least 45 days before the proposed effective date of the registration; and

(2) Accompany such request with one payment of a nonrefundable fee of $25,000; and

(3) Reimburse Licensor for expenses incurred by Licensor in connection with review of the materials concerning the proposed registration, including without limitation, attorneys' fees and travel expenses; and

(4) Agree, and all participants in the proposed offering subject to registration shall agree, to fully indemnify Licensor in connection with

the registration; furnish Licensor all information requested by Licensor; avoid any implication of Licensor's participating in, or endorsing the offering; and use Licensor's service marks and trademarks only as directed by Licensor.

h. Management of the Hotel. Licensee must at all times retain and exercise direct management control over the Hotel's business. Licensee shall not enter into any lease, management agreement, or other similar arrangement for the operation of the Hotel or any part thereof with any independent entity without the prior written consent of Licensor.

i. Application for New License Agreement upon Transfer of the Hotel.

(1) If Licensee wishes to transfer the Hotel, or any interest of Licensee in the Hotel, Licensee shall give prompt written notice thereof to Licensor, stating the identity of the prospective transferee and the terms and conditions of the transfer, including a copy of any proposed agreement and all other information with respect thereto, which Licensor may reasonably require.

(2) If Licensee proposes to transfer the Hotel or any interest of Licensee in the Hotel to a transferee who desires thereafter to operate the Hotel under the System, the proposed transferee must, with Licensee's consent, apply for a new license agreement to replace this Agreement for a term to be determined by Licensor. Licensor shall process the application in good faith and in accordance with procedures, criteria and requirements regarding fees, upgrade of the Hotel, credit, operational abilities and capabilities, prior business dealings, if any, with Licensor, market feasibility and other factors deemed relevant by Licensor, then being applied by Licensor in issuing new licenses to use the System. If the application is approved, Licensor and the transferee shall, upon surrender of this Agreement, enter into a commitment agreement to govern the Hotel until the time specified therein for the new license agreement to be entered into if the transferee fulfills specified upgrading and other requirements by that time. The new license agreement shall be on the standard form, and contain the standard terms (except for duration), then being used to license new hotels under the System. If the application is not approved by Licensor, then this Agreement shall terminate pursuant to Paragraph 10.d. hereof and Licensor shall be entitled to all of its remedies.

9. Condemnation and Casualty.

a. Condemnation. Licensee shall, at the earliest possible time, give Licensor full notice of any proposed taking by eminent domain. If Licensor agrees that the Hotel or a substantial part thereof is to be taken, Licensor will give due and prompt consideration, without any obligation, to transferring this Agreement to a nearby location selected by Licensee and approved by Licensor as promptly as reasonably possible, and in any event within four months of the taking. If the new location is approved by Licensor and the transfer authorized by Licensor and if Licensee opens a new hotel at the new location in accordance with Licensor's specifications within two years of the closing of the Hotel, the new hotel will thenceforth be deemed to be the Hotel licensed under this Agreement. If a condemnation takes place and a new hotel does not, for whatever reason, become the Hotel under this Agreement in strict accordance with this paragraph (or if it is reasonably evident to Licensor that such will be the case), this Agreement will terminate forthwith upon notice thereof by Licensor to Licensee, without the payment of liquidated damages hereunder.

b. Casualty. If the Hotel is damaged by fire or other casualty, Licensee will expeditiously repair the damage. If the damage or repair requires closing the Hotel, Licensee will immediately notify Licensor, will repair or rebuild the Hotel in accordance with Licensor's standards, will commence reconstruction within four months after closing, and will reopen the Hotel for continuous business operations as soon as practicable (but in any event

within 24 months after closing of the Hotel), giving Licensor ample advance notice of the date of reopening. If the Hotel is not reopened in accordance with this paragraph, this Agreement will forthwith terminate, upon notice thereof by Licensor to Licensee, with the payment of liquidated damages calculated in the manner set forth in Paragraph 10.f.

c. No Extensions of Term. Nothing in this Paragraph 9 will extend the License Term but Licensee shall not be required to make any payments pursuant to paragraphs 3.c.(l), (2) and (3) for periods during which the Hotel is closed by reason of condemnation or casualty.

10. Termination.

a. Expiration of Term. This Agreement will expire without notice 20 years from the date hereof, subject to earlier termination as set forth herein. The parties recognize the difficulty of ascertaining damages to Licensor resulting from premature termination of this Agreement, and have provided for liquidated damages in Paragraph 10.f. below, which liquidated damages represent the parties' best estimate as to the damages arising from the circumstances in which they are provided.

b. Permitted Termination Prior to Expiration of Term. Licensee may terminate this Agreement on its 10th or 15th anniversary by giving at least 12 but less than 15 months advance notice to Licensor accompanied by a lump sum payment (as liquidated damages and not as a penalty or in lieu of any other payments required under this Agreement) equal to the total of all amounts required under paragraphs 3.c.(l), (2) and (3) for the 24 calendar months of operation preceding the notice.

c. Termination by Licensor on Advance Notice.

(1) In accordance with notice from Licensor to Licensee, this Agreement will terminate (without any further notice unless required by law) or, at Licensor's sole discretion with notice from Licensor to Licensee, Licensor may suspend its services hereunder (including reservation services), provided that:

(a) the notice is mailed at least 30 days (or longer, if required by law) in advance of the termination date;

(b) the notice reasonably identifies one or more breaches of Licensee's obligations hereunder; and

(c) the breach(es) are not fully remedied within the time period specified in the notice.

(2) If during the then preceding 12 months Licensee shall have engaged in a violation of this Agreement for which a notice of termination was given and termination failed to take effect because the default was remedied, the period given to remedy defaults thereafter will, if and to the extent permitted by law, thereafter be 10 days instead of 30.

(3) In any judicial proceeding in which the validity of termination is at issue, Licensor will not be limited to the reasons set forth in any notice sent under this paragraph.

(4) Licensor's notice of termination or suspension of services shall not relieve Licensee of its obligation hereunder.

d. Immediate Termination by Licensor. This Agreement may be immediately terminated upon notice from Licensor to Licensee (or at the earliest time permitted by applicable law) if:

(1) (a) Licensee or any guarantor of Licensee's obligations hereunder

shall generally not pay its debts as they become due or shall admit in writing its inability to pay its debts, or shall make a general assignment for the benefit of creditors; or

(b) Licensee or any such guarantor shall commence any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property; or

(c) Licensee or any such guarantor shall take any corporate or other action to authorize any of the actions set forth above in paragraphs (a) or (b); or

(d) Any case, proceeding or other action against Licensee or any such guarantor shall be commenced seeking to have an order for relief entered against it as debtor, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, and such case, proceeding or other action (i) results in the entry of an order for relief against it which is not fully stayed within seven business days after the entry thereof or (ii) remains undismissed for a period of 45 days; or

(e) An attachment remains on all or a substantial part of the Hotel or of Licensee's or any such guarantor's assets for 30 days; or

(f) Licensee or any such guarantor fails, within 60 days of the entry of a final judgment against Licensee in any amount exceeding $50,000, to discharge, vacate or reverse the judgment, or to stay execution of it, or if appealed, to discharge the judgment within 30 days after a final adverse decision in the appeal; or

(2) Licensee loses possession or the right to possession of all or a significant part of the Hotel, except as otherwise provided in Paragraph 9; or

(3) Licensee contests in any court or proceeding Licensor's ownership of the System or any part of it, or the validity of any service marks or trademarks associated with Licensor's business; or

(4) A breach of Paragraph 8 hereof occurs; or

(5) Licensee fails to continue to identify itself to the public as a System hotel; or

(6) Any action is taken toward dissolving or liquidating Licensee or any such guarantor, if it is a corporation or partnership, except for death of a partner; or

(7) Licensee or any of its principals is, or is discovered to have been, convicted of a felony (or any other offense if it is likely to adversely reflect upon or affect the Hotel, the System, the Licensor, the Licensor's parent or its affiliates or subsidiaries in any way); or

(8) Licensee maintains false books and records of account or submits false reports or information to Licensor.

e. De-identification of Hotel Upon Termination. Licensee will take whatever action is necessary to assure that no use is made of any part of the System at or in connection with the Hotel or otherwise after the License Term ends. This will involve, among other things, returning to Licensor the Manual and

all other materials proprietary to Licensor, physical changes of distinctive System features of the Hotel, including removal of the primary freestanding sign down to the structural steel, and all other actions required to preclude any possibility of confusion on the part of the public that the Hotel is no longer using all or any part of the System or otherwise holding itself out to the public as a Hampton Inn & Suites hotel. Anything not done by Licensee in this regard within 30 days after termination of this Agreement may be done at Licensee's expense by Licensor or its agents, who may enter upon the premises of the Hotel for that purpose.

f. Payment of Liquidated Damages. If this Agreement terminates pursuant to paragraphs 3.b., 9.b., 10.c. or 10.d. above, Licensee will promptly pay Licensor (only as liquidated damages for the premature termination of this Agreement, and not as a penalty or as damages for breaching this Agreement or in lieu of any other payment) a lump sum equal to the total amounts required under paragraphs 3.c.(1), (2) and (3) during the 36 full calendar months of operation preceding the termination; or if the Hotel has not been in operation in the System for 36 full calendar months, the greater of: (i) 36 times the monthly average of such amounts, or (ii) 36 times such amounts as are due for the one full calendar month preceding such termination. If the Hotel has been authorized to open as a Hampton Inn & Suites hotel but has not been in operation for one full calendar month, the liquidated damages amount shall be equal to the product of the number of Guest Rooms in the Hotel multiplied by $3,000.00.

11. Renewal.

This Agreement is non-renewable.

12. Relationship of Parties.

a. No Agency Relationship. Licensee is an independent contractor. Neither party is the legal representative or agent of, or has the power to obligate (or has the right to direct or supervise the daily affairs of) the other for any purpose whatsoever. Licensor and Licensee expressly acknowledge that the relationship intended by them is a business relationship based entirely on, and defined by, the express provisions of this Agreement and that no partnership, joint venture, agency, fiduciary or employment relationship is intended or created by reason of this Agreement.

b. Licensee's Notices to Public Concerning Independent Status. Licensee will take such steps as are necessary and such steps as Licensor may from time to time reasonably request to minimize the chance of a claim being made against Licensor for anything that occurs at the Hotel, or for acts, omissions or obligations of Licensee or anyone associated or affiliated with Licensee or the Hotel. Such steps may, for example, include giving notice in Guest Rooms, public rooms and advertisements, on business forms and stationery, etc., making clear to the public that Licensor is not the owner or operator of the Hotel and is not accountable for what happens at the Hotel. Unless required by law, Licensee will not use the word "Hampton" or any similar words in its corporate, partnership, or trade name, nor authorize or permit such use by anyone else. Licensee will not use the words "Hampton," "Hampton Inn," "Hampton Inn & Suites" or any other name or mark associated with the System to incur any obligation or indebtedness on behalf of Licensor.

13. Miscellaneous.

a. Severability and Interpretation. The remedies provided in this Agreement are not exclusive. In the event any provision of this Agreement is held to be unenforceable, void or voidable as being contrary to the law or public policy of the United States or any other jurisdiction entitled to exercise authority hereunder, all remaining provisions shall nevertheless continue in full force and effect unless deletion of the provision(s) deemed unenforceable, void or voidable impairs the consideration for this Agreement in a manner which frustrates the purpose of the parties or makes performance

commercially impracticable. In the event any provision of this Agreement requires interpretation, such interpretation shall be based on the reasonable intention of the parties in the context of this transaction without interpreting any provision in favor of or against any party hereto by reason of the drafting of the party or its position relative to the other party. Any covenant, term or provision of this Agreement which, in order to effect the intent of the parties, must survive the termination of this Agreement, shall survive any such termination.

b. Binding Effect. This Agreement shall become valid when executed and accepted by Licensor at Memphis, Tennessee. It shall be deemed made and entered into in the state of Tennessee and shall be governed and construed under and in accordance with the laws of the state of Tennessee. In entering into this Agreement, Licensee acknowledges that it has sought, voluntarily accepted and become associated with Licensor who is headquartered in Memphis, Tennessee, and that this Agreement contemplates and will result in business relationships with Licensor's headquarter's personnel. The choice of law designation permits, but does not require that all suits concerning this Agreement be filed in the state of Tennessee.

c. Exclusive Benefit. This Agreement is exclusively for the benefit of the parties hereto, and it may not give rise to liability to a third party, except as otherwise specifically set forth herein. No agreement between Licensor and anyone else is for the benefit of Licensee.

d. Entire Agreement. This is the entire Agreement (and supersedes all previous agreements including without limitation, any commitment agreement between the parties concerning the Hotel) between the parties relating to the Hotel. Neither Licensor nor any other person on Licensor's behalf has made any representation to Licensee concerning this Agreement or relating to the system which representation is not fully set forth herein or in Licensor's "Offering Circular for Prospective Franchisees." No change in this Agreement will be valid unless in writing signed by both parties. No failure to require strict performance or to exercise any right or remedy hereunder will preclude requiring strict performance or exercising any right or remedy in the future.

e. Licensor's Withholding Consent. Licensor's consent, wherever required, may be withheld if any default by Licensee exists under this Agreement. Approvals and consents by Licensor will not be effective unless evidenced by a writing duly executed on behalf of Licensor.

f. Notices. Notices will be effective hereunder when and only when they are reduced to writing and delivered personally or mailed by Federal Express or other express delivery service or by certified mail to the appropriate party at its address first stated above or to such person and at such address as may be designated by notice hereunder.

g. General Release. Licensee and its respective heirs, administrators, executors, agents, representatives and their respective successors and assigns, hereby release, remise, acquit and forever discharge Licensor and its parent, subsidiaries, divisions and affiliates and their officers, directors, employees, agents, representatives and their respective successors and assigns from any and all actions, claims, causes of action, suits, rights, debts, liabilities, accounts, agreements, covenants, contracts, promises, warrants, judgments, executions, demands, damages, costs and expenses, whether known or unknown at this time, of any kind or nature, absolute or contingent, if any there be, at law or in equity, on account of any matter, cause or thing whatsoever which has happened, developed or occurred at any time from the beginning of time to and including the date of Licensee's execution and delivery to Licensor of this Agreement. This release shall survive the termination of this Agreement, Licensee shall take whatever steps are necessary or appropriate to carry out the terms of this release upon Licensor's request.

h. Descriptive Headings. The descriptive headings in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision in this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first stated above.

LICENSEE:	LICENSOR:
_____	HAMPTON INN HOTEL DIVISION OF EMBASSY SUITES, INC.
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

GUARANTY

Date: _____

As an inducement to the Hampton Inn Hotel Division of Embassy Suites, Inc. ("Licensor") to execute the above License Agreement, the undersigned, jointly and severally, hereby unconditionally warrant to Licensor and its successors and assigns that all of Licensee's representations in the License Agreement and the application submitted by Licensee to obtain the License Agreement are true and guarantee that all of Licensee's obligations under the above License Agreement, including any amendments thereto whenever made (the "Agreement"), will be punctually paid and performed.

Upon default by Licensee or notice from Licensor, the undersigned will immediately make each payment and perform each obligation required of Licensee under the Agreement. Without affecting the obligations of the undersigned under this Guaranty, Licensor may without notice to the undersigned extend, modify or release any indebtedness or obligation of Licensee, or settle, adjust or compromise any claims against Licensee. The undersigned waive notice of amendment of the Agreement and notice of demand for payment or performance by Licensee.

Upon the death of an individual guarantor, the estate of such guarantor will be bound by this Guaranty but only for defaults and obligations hereunder existing at the time of death, and the obligations of the other guarantors will continue in full force and effect.

The Guaranty constitutes a guaranty of payment and performance and not of collection, and each of the guarantors specifically waives any obligation of Licensor to proceed against Licensee on any money or property held by Licensee or by any other person or entity as collateral security, by way of set off or otherwise. The undersigned further agree that this Guaranty shall continue to be effective or be reinstated as the case may be, if at any time payment or any of the guaranteed obligations is rescinded or must otherwise be restored or returned by Licensor upon the insolvency, bankruptcy or reorganization of Licensee or any of the undersigned, all as though such payment has not been made.

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty as of the date of the above Agreement.

Witnesses:	Guarantors:
_____	_____ (Seal)
_____	_____ (Seal)
_____	_____ (Seal)

ATTACHMENT A

Facilities and Services (Paragraph 1):

Site-Area and general description:

Fee owners (names and addresses):

Other facilities and services:

Ownership of Licensee (Paragraph 8):

LIMITED PARTNERSHIP AGREEMENT

OF

DES PLAINES DEVELOPMENT LIMITED PARTNERSHIP

between

HARRAH'S ILLINOIS CORPORATION

and

JOHN Q. HAMMONS

Dated February 28, 1992

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LIMITED PARTNERSHIP AGREEMENT
OF
DES PLAINES DEVELOPMENT LIMITED PARTNERSHIP

THIS LIMITED PARTNERSHIP AGREEMENT of Des Plaines Development Limited Partnership (the "Partnership Agreement" or "Agreement") is made and entered as of the 28th day of February, 1992, by and among Harrah's Illinois Corporation, a Nevada corporation, and John Q. Hammons, an individual.

RECITALS

A. The General Partner is a wholly-owned, indirect subsidiary of Harrah's, a Nevada corporation ("Harrah's"). Harrah's and the General Partner are in the business of operating gaming facilities.

B. The Limited Partner is the sole owner of Des Plaines Development Corporation, an Illinois corporation ("DPDC"), which has applied for a license to operate a riverboat gaming facility on the Des Plaines River in Joliet, Illinois, and has received a finding of preliminary suitability from the Illinois Gaming Board.

C. The Limited Partner desires that the General Partner invest in such riverboat gaming facility, and rather than continue the corporate form of ownership through DPDC, the General Partner and the Limited Partner desire to undertake a joint venture to develop and operate a riverboat gaming facility on the Des Plaines River in Joliet, Illinois on the terms set forth herein and desire that any funding of preliminary suitability of DPDC be transferred to such joint venture consistent with the rules of the Illinois Gaming Board.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual agreements of the parties hereto and subject to the terms and conditions hereof, it is hereby agreed as follows:

ARTICLE 1

DEFINITIONS

Unless otherwise expressly provided herein or unless the context otherwise requires, each of the following terms when used herein shall have the following defined meanings:

"Act" means the Delaware Revised Uniform Limited Partnership Act, 6 Del. C. Sec. 17-101, et seq. as amended from time to time, or any successor statute.

"Adjusted Capital Account Deficit" shall have the meaning set forth in Section 4.07(g)(i) hereof.

"Affiliate," when used with reference to a specified Person, means (i) any relative or spouse of the specified Person; (ii) any Person who is an officer, partner or trustee of, or serves in a similar capacity with respect to, the specified Person; (iii) any partnership, corporation, trust or other entity of which the specified Person is a partner, officer, trustee or serves in a similar capacity or is directly or indirectly the owner of a partnership interest, any portion of a class of equity securities, or in which the specified Person has a substantial beneficial interest; and (iv) any Person that directly or indirectly through one or more intermediaries controls or is controlled by or is under common control with the specified Person. "Affiliate" when used in reference to any of the Partners shall also include any Person that directly or indirectly through one or more intermediaries controls or is controlled by or is under common control with any one or more of the beneficial owners of such Partner.

"Agreement" means this Limited Partnership Agreement of Des Plaines Development Limited Partnership, as amended, modified or supplemented from time to time.

"Capital Account" shall have the meaning set forth in Section 3.02(a) hereof.

"Capital Contribution" means the total amount of money and the fair market value of any property (determined net of any liabilities secured by such property that the Partnership is considered to assume or take subject to and determined consistently with Code Section 752(c) and without regard to Code Section 7701(g)) contributed, or to be contributed, as the case may be, to the Partnership by a Partner.

"Cash Flow" means all cash received by the Partnership from all sources in excess of all cash expended or reserved in the discretion of the General Partner for (i) currently due and maturing obligations and liabilities (excluding Partner loans) and expenses of the Partnership or obligations secured by Partnership assets including but not limited to debt service upon any indebtedness incurred by the Partnership, (ii) capital expenditures, (iii) contingent liabilities or (iv) such other purposes as the General Partner shall determine to be necessary or proper. Without limiting the generality of the foregoing, all amounts received from the City of Joliet, Illinois or any other governmental agencies as reimbursements, subsidies or payments in respect of the Project, including without limitation reimbursements of gaming tax, shall be included in the calculations of "Cash Flow".

"Code" means the Internal Revenue Code of 1986, as amended.

"Default Loan" shall have the meaning set forth in Section 8.04(a) hereof.

"Defaulting Partner" shall have the meaning set forth in Section 8.01 hereof.

"Distributions" means all distributions or other payments to Partners by the Partnership of cash or the fair market value of any property (determined net of any liabilities secured by such property that the distributee is considered to assume or take subject to and determined consistently with Code Section 752(c) and without regard to Code Section 7701(g)) distributed to the Partners pursuant to Article 4 or Section 12.03 hereof.

"Event of Default" shall have the meaning set forth in Article 7 hereof.

"General Partner" means Harrah's Illinois Corporation, a Nevada corporation, or any Person who, at the time of reference thereto, has been admitted to the Partnership as a successor or additional general partner of the Partnership, in each such Person's capacity as a General Partner.

"Initial Capital Loan" shall have the meaning set forth in Section 3.01(d) hereof.

"Initial Capital Loan Documents" shall have the meaning set forth in Section 3.01(d) hereof.

"Limited Partner" means John Q. Hammons, an individual, or any Person who, at the time of reference thereto, has been admitted to the Partnership as a successor or additional limited partner of the Partnership, in each such Person's capacity as a Limited Partner.

"Major Capital Event" means any borrowings or financings (except short term borrowing in the ordinary course of business) by the Partnership or otherwise relating to the Project, any sale of all or a portion of the Project or any Partnership assets (except dispositions of personal property and equipment in the ordinary course of business) or any insured casualty loss or condemnation or other involuntary conversion (including losses covered by title insurance).

"Net Invested Capital" means the initial Capital Contribution for such Partner set forth on Exhibit A hereto plus the amount of capital hereafter contributed to the Partnership by such Partner and credited to its Capital Account, less all distributions hereafter made by the Partnership to such Partner and debited against its Capital Account, but in no event less than zero.

"Nondefaulting Partner" shall have the meaning set forth in Section 8.01 hereof.

"Partner Minimum Gain" shall have the meaning set forth in Section 4.07(g)(iii) hereof.

"Partners" means the General Partner(s) and the Limited Partner(s).

"Partnership" means the Delaware limited partnership governed by this Agreement.

"Partnership Minimum Gain" shall have the meaning set forth in Section 4.07(g)(ii) hereof.

"Percentage Share" means the percentage assigned to each Partner by which each such Partner shall share in various allocations and distributions of the Partnership in accordance with the terms of this Agreement. The Percentage Share initially allocated to each Partner is set forth in Section 3.01(f) hereof, and is subject to the provisions of Section 8.04(b) hereof.

"Person" means any individual, partnership, corporation, unincorporated association, trust or other entity.

"Prime Rate" means the prime rate of interest charged by Citibank, N.A., New York, New York to borrowers on ninety (90) day unsecured commercial loans, as the same may be changed from time to time.

"Project" means the gaming/recreational business conducted with respect to the Property.

"Property" means the real property and improvements thereto located in the City of Joliet, Will County, Illinois, generally described in Exhibit B hereto and by this reference incorporated herein, together with such additional real property as the General Partner may determine to acquire and one or more riverboats, berthing and docking facilities, reception buildings, parking facilities, offices and storage areas, restaurants, hotels, gaming devices and other property relating to the business of the Partnership.

"Treasury Regulation" shall mean the income tax regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

ARTICLE 2

FORMATION

2.01 Partnership Agreement. The Partnership is a limited partnership organized under and pursuant to the terms of the Act and this Partnership Agreement. From and after its execution, this Partnership Agreement shall constitute the only agreement of limited partnership of the Partnership, except as it may hereafter be amended pursuant to the provisions of this Partnership Agreement. This Partnership Agreement represents the entire agreement and understanding of the parties hereto, and all prior or concurrent agreements, understandings, representations and warranties in regard to the subject matter hereof are and have been merged herein.

2.02 Organization and Name. The Partnership is and shall be a limited partnership organized under and pursuant to the Act. The name of the Partnership is "Des Plaines Development Limited Partnership." The General Partner and the

Limited Partner of the Partnership shall be the parties designated aforesaid. The Partners agree to execute such certificates or documents and do such filings and recordings and all other acts, including the filing of a Certificate of Limited Partnership of the Partnership and any amendments thereto in appropriate governmental offices as may be required in order to comply with all applicable laws.

2.03 Place of Business and Principal Office; Registered Agent and Registered Office

(a) The principal place of business of the Partnership shall be Joliet, Illinois and its principal office shall be at 1023 Cherry Road, Memphis, Tennessee 38117, or at such other place as the General Partner may designate by notice to all Partners.

(b) The name and address of the registered agent for service of process on the Partnership in the State of Delaware is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The registered office of the Partnership is located at such address. The General Partner may designate any other Person as the registered agent and any other location as the registered office, respectively, as the General Partner deems appropriate subject to applicable law.

2.04 Purpose and Title. The purpose and business of the Partnership shall be to own, develop and operate the Property and the Project. The Partnership shall have the power to do all acts and things necessary, appropriate, convenient or useful in connection with the foregoing, including without limitation, all of the powers that may be exercised by the General Partner on behalf of the Partnership under this Agreement. Title to any or all of the Property (or the interest of the Partnership therein) may be taken and held in the name of the Partnership or in the name of an Illinois land trust in which the entire beneficial interest shall be owned by the Partnership and the power of direction vested in the Partnership or its designees, as provided in this Agreement. The Partnership shall be a partnership only for the purposes described in this Section 2.04, and this Agreement shall not be deemed to create a partnership between the Partners with respect to any activities whatsoever other than the activities contemplated hereby or incident thereto.

2.05 Term. The Partnership commenced on the date of first filing of the Partnership's Certificate of Limited Partnership with the office of the Secretary of State of the State of Delaware and shall continue in full force and effect until the date which is fifty (50) years from such date, or until dissolution prior thereto pursuant to the provisions hereof or by operation of law.

ARTICLE 3

CONTRIBUTIONS

3.01 Capital Contributions; Partnership Interests

(a) Capital Contributions by the General Partner. The General Partner shall contribute Twenty Five Million Nine Hundred Twenty Thousand Dollars ($25,920,000) to the Partnership when called for pursuant to Section 3.01(c) hereof as an initial Capital Contribution which shall be credited to the General Partner's Capital Account. The General Partner shall make additional Capital Contributions as and when called for by the General Partner in its sole discretion, which shall be credited to the General Partner's Capital Account.

(b) Capital Contributions by the Limited Partner. The Limited Partner shall contribute Six Million Four Hundred Eighty Thousand Dollars ($6,480,000) to the Partnership when called for pursuant to Section 3.01(c) hereof as an initial Capital Contribution which shall be credited to the Limited Partner's Capital Account. The Limited Partner shall make additional Capital

Contributions as and when called for by the General Partner in its sole discretion, which shall be credited to the Limited Partner's Capital Account.

(c) Calls for Contributions. The General Partner may at any time or from time to time call for Capital Contributions, including initial Capital Contributions, from the Partners by not less than three (3) days written notice to the Partners. The Partners shall make such Capital Contributions to the Partnership on or before the date specified in any such notice from the General Partner.

(d) Initial Capital Loan. The General Partner shall contribute, on behalf of the Limited Partner, the Limited Partner's initial Capital Contribution set forth in Section 3.01(b) hereof as a loan to the Limited Partner (the "Initial Capital Loan"). The Limited Partner hereby grants authority to the General Partner to disburse portions of the Initial Capital Loan to the Partnership when portions of the Limited Partner's initial Capital Contribution are called for pursuant to Section 3.01(c) hereof. The Initial Capital Loan shall be deemed a Default Loan hereunder and the rights of the Partners hereunder in respect of the Initial Capital Loan shall include all rights of the Partners in respect of Default Loans, including, without limitation, the distribution provisions of Sections 4.04, 4.05 and 8.04(d) hereof and Article 12 hereof; provided that (x) nothing herein shall be construed as causing the Limited Partner to be in default as a result of the Initial Capital Loan being deemed to be a Default Loan unless the Limited Partner shall fail to pay or perform under the Initial Capital Loan Documents (as defined below) and (y) the General Partner may not exercise any right under Article 8 hereof with respect to the Initial Capital Loan, unless and until an Event of Default shall have occurred hereunder. The Initial Capital Loan shall (i) be evidenced by a promissory note in form and substance acceptable to the General Partner, (ii) be secured by the Limited Partner's interest in the Partnership pursuant to a security agreement and UCC financing statements in form and substance acceptable to the General Partner and any other documents as may be necessary to further assure and perfect a security interest in the Limited Partner's Partnership interest (such promissory note, security agreement and UCC-1 financing statements are the "Initial Capital Loan Documents"), (iii) bear interest on the outstanding principal balance, payable on the first day of each calendar quarter in arrears (the first such payment to be due on July 1, 1992), at a rate equal to the lower of (x) the then current Prime Rate plus two percent (2%) per annum or (y) the maximum rate of interest permitted under applicable law, from the date hereof until payment in full by the Limited Partner, (iv) be prepayable at any time, and (v) be due and payable (including all principal and accrued interest outstanding) on the earlier of the date which is four (4) years from the date hereof, or the occurrence of an Event of Default hereunder (unless accelerated earlier pursuant to the terms of the promissory note evidencing such loan). The Initial Capital Loan shall be made to the Limited Partner and guaranteed by the spouse of the Limited Partner pursuant to the Guarantee attached hereto, with full recourse to the assets of the Limited Partner and the spouse of the Limited Partner.

(e) Evidence of Partnership Interest. No certificates or other evidence of ownership shall be issued with respect to the partnership interests in the Partnership except this Agreement which, when executed, shall solely represent and evidence the partnership interests in the Partnership owned by each Partner.

(f) Percentage Share. Effective as of the date hereof, the partnership interests hereunder are allocated between the Partners such that the Percentage Share which is attributed to each Partner is as follows:

(i) 80% - General Partner

(ii) 20% - Limited Partner

Such Percentage Shares are subject to revision pursuant to Section 8.04(b) hereof.

(g) Withdrawal of Capital; Loans. No Partner shall have any right to withdraw or make a demand for withdrawal of all or any portion of such Partner's capital (or the amount, if any, reflected in such Partner's Capital Account). No interest or additional share of profits shall be paid or credited to the Partners on their Capital Accounts, or on any undistributed profits or funds left on deposit with the Partnership; provided, however, that nothing herein contained shall be construed to prevent or prohibit the payment of interest on account of loans made by the Partners to the Partnership. Any loans made to the Partnership by a Partner shall not increase its Capital Account or interest in the profits, losses, or Cash Flow, but shall be a debt due from the Partnership and repaid accordingly only out of Cash Flow or the Partnership assets in the discretion of the General Partner.

3.02 Capital Accounts

(a) There shall be established for each Partner on the books of the Partnership, as of the date hereof, a capital account (the "Capital Account") reflecting the excess (deficit) of (i) the sum of (A) such Partner's initial Capital Account balance which initial balance reflects the deemed contributions of such Partner to the Partnership in exchange for such Partner's interest in the Partnership, (B) such Partner's additional Capital Contributions (if any) to its Capital Account made in accordance with this Agreement, (C) such Partner's share of taxable income and (D) such Partner's share of tax-exempt income of the Partnership over (ii) the sum of (A) such Partner's share of tax losses, (B) such Partner's share of other Partnership expenditures that are not deductible for federal income tax purposes and (C) any Distributions to such Partner, (iii) as adjusted by such Partner's share of income, gain, deduction or loss described in Treasury Regulation Section 1.704-1(b)(2)(iv)(g).

(b) Notwithstanding any other provision in this Section 3.02 or elsewhere in this Agreement, each Partner's Capital Account shall be maintained and adjusted in accordance with the Code and the Treasury Regulations, including Treasury Regulation Section 1.704-1(b)(2)(iv). It is intended that appropriate adjustments shall thereby be made to Capital Accounts to give effect to any income, gain, loss or deduction (or items thereof) that is specially allocated pursuant to this Agreement.

(c) A Partner's Capital Account shall be reduced by the fair market value (determined without regard to Code Section 7701(g)) of any property (net of liabilities secured by such property that the Partner is considered to assume or take subject to and determined consistently with Code Section 752(c)) distributed by the Partnership to such Partner, whether in connection with a liquidation of the Partnership or of such Partner's partnership interests or otherwise. Accordingly, Capital Accounts shall first be adjusted to reflect the manner in which the unrealized income, gain, loss and deduction inherent in such property (that has not been previously reflected in Capital Accounts) would be allocated, pursuant to Article 4 hereof, among the Partners if there were a taxable disposition of such property for its fair market value (taking Code Section 7701(g) into account) on the date of distribution.

(d) The foregoing provisions and other provisions of this Agreement relating to the maintenance of capital accounts are intended to comply with Treasury Regulation Section 1.704-1, and shall be interpreted and applied in a manner consistent with such Treasury Regulation. In the event the General Partner shall determine, in its sole discretion, that it is prudent to modify the manner in which the capital accounts, or any debits or credits thereto, are computed in order to comply with such Treasury Regulation, the General Partner may make such modification, provided that it will not have a material adverse effect on the amounts distributable to any Limited Partner during the operation of, or upon the dissolution of, the Partnership.

3.03 Assignment of Entitlements. Without any adjustments to the Partners' Percentage Shares or to the Partners' Capital Accounts, the General Partner and the Limited Partner hereby (and the Limited Partner shall cause DPDC to) irrevocably assign and transfer by quitclaim conveyance any and all of their respective rights and interest in any studies, plans, engineering reports,

environmental reports, wetlands reports or other marketing materials, property, contracts, agreements, options, licenses, permits, or other rights or interests relating to the development and operation of the Project, including without limitation, any easements, gaming applications or licenses, variances, consents, approvals or entitlements from any Port Authorities, the U.S. Army Corp of Engineers, the City of Joliet, Illinois, or any other federal, state, county or municipal authority or any governmental or quasi-governmental entity necessary for the development and use of the Property in connection with the Project.

ARTICLE 4

ALLOCATIONS AND DISTRIBUTIONS

4.01 Allocations of Taxable Income. Except as provided in Section 4.07 hereof, taxable income of the Partnership (including any gain realized in a Major Capital Event) shall be allocated among the Partners in accordance with their Percentage Shares.

4.02 Allocations of Tax Loss. Except as provided in Section 4.07 hereof, tax loss of the Partnership (including any loss realized in a Major Capital Event) shall be allocated among the Partners in accordance with their Percentage Shares.

4.03 Timing and Amount of Allocations of Taxable Income and Tax Loss. Taxable income and tax loss of the Partnership shall be determined and allocated with respect to each fiscal year of the Partnership as of the end of such year. Subject to the other provisions of this Article 4, an allocation to a Partner of a share of taxable income or tax loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing taxable income or tax loss.

4.04 Distributions of Proceeds of a Major Capital Event. The proceeds of any Major Capital Event (other than in connection with or in contemplation of a liquidation of the Partnership) shall be applied as follows:

(a) First, to pay all expenses incurred in connection with the Major Capital Event;

(b) Second, to pay all accrued and unpaid interest on and the principal balance of all Default Loans made by the Nondefaulting Partner under Section 8.04(a) hereof and accounted for as set forth in Section 8.04(d) hereof;

(c) Third, to repay, at the discretion of the General Partner, any or all indebtedness of the Partnership secured by liens on the Property;

(d) Fourth, to repay any Capital Contribution by a Partner in excess of its Percentage Share of the total Capital Contributions in the Partnership; and

(e) Fifth, the balance, if any, to the Partners in accordance with their Percentage Shares.

4.05 Distribution of Cash Flow. Cash Flow (other than proceeds of any Major Capital Event or in connection with or in contemplation of a liquidation of the Partnership) shall be applied as follows:

(a) First, to pay all accrued and unpaid interest on and the principal balance of all Default Loans made by the Nondefaulting Partner under Section 8.04(a) hereof and accounted for as set forth in Section 8.04(d) hereof;

(b) Second, to repay any Capital Contribution by a Partner

in excess of its Percentage Share of the total Capital Contributions in the Partnership; and

(c) Third, the balance, if any, to and among the Partners in accordance with their Percentage Shares.

4.06 Priority and Distribution of Property. Except as herein expressly provided, no Partner shall have priority over any other Partner as to the return of capital, income or losses, or Distributions of Cash Flow. No Partners shall have the right to demand or receive property other than cash for its Capital Contributions to the Partnership or in payment of its share of Cash Flow.

4.07 Additional Allocation Provisions. Notwithstanding the foregoing provisions of this Article 4:

(a) The losses allocated under Section 4.02 hereof to any Partner shall not exceed the maximum amount of losses that can be so allocated without causing such Partner to have an Adjusted Capital Account Deficit at the end of any fiscal year. If some but not all of the Partners would have Adjusted Capital Account Deficits as a consequence of an allocation of losses pursuant to Section 4.02 hereof, then the limitation set forth in this Section 4.07(a) shall be applied so as to allocate the maximum permissible loss to each Partner under the preceding sentence and Treasury Regulation Section 1.704-1(b)(2)(ii)(d). Losses, the allocation of which to any Partner are prohibited under the first sentence of this Section 4.07(a), shall be allocated to the remaining Partners in proportion to their respective Percentage Shares.

(b) Notwithstanding any other provisions of this Section 4.07, if there is a net decrease in Partnership Minimum Gain during any Partnership fiscal year, each Partner shall be specially allocated items of Partnership income and gain (as specified in Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2)(i)) for such year (and, if necessary, for subsequent years, as provided in Regulation Section 1.704-2(j)(2)(iii)) in an amount equal to the portion of such Partner's share of the net decrease in such Partnership Minimum Gain, determined in accordance with Treasury Regulations Section 1.704-2(g)(2).

The items of income and gain to be so specially allocated pursuant to this Section 4.07(b) shall be determined in accordance with Treasury Regulation Section 1.704-2(f). This Section 4.07(b) is intended to comply with the minimum gain chargeback requirement of Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(c) Notwithstanding any provision of this Section 4.07 to the contrary (except Section 4.07(b) hereof), if there is a net decrease in Partner Minimum Gain attributable to a "partner nonrecourse debt" (within the meaning of Treasury Regulation Section 1.704-2(b)(4)) during any Partnership fiscal year, each Partner who has a share of the Partner Minimum Gain attributable to such partner nonrecourse debt, determined in accordance with Treasury Regulation Section 1.704-2(i)(5), shall be specially allocated items of Partnership income and gain (as specified in Regulation Section 1.704-2(j)(2)(ii)) for such fiscal year (and, if necessary, subsequent years, as provided in Regulation Section 1.704-2(j)(2)(iii)) in an amount equal to the portion of such Partner's share of the net decrease in Partner Minimum Gain attributable to such partner nonrecourse debt, determined in accordance with Treasury Regulation Section 1.704-2(g)(2).

The items of income and gain to be so specially allocated pursuant to this Section 4.07(c) shall be determined in accordance with Treasury Regulation Section 1.704-2(i)(4). This Section 4.07(c) is intended to comply with the partner minimum gain chargeback requirement of Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(d) Subject to the priority rules of Treasury Regulation Section 1.704-2, if any Partner unexpectedly receives any adjustment, allocation or distribution described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4),

1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d)(6) that causes or increases an Adjusted Capital Account Deficit with respect to such Partner, items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by Treasury Regulation Sections 1.704-1(b) and 1.704-2, the Adjusted Capital Account Deficit of such Partner as quickly as possible. It is intended that this Section 4.07(d) qualify and be construed as a "qualified income offset" within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(d).

(e) If special allocations are required under Sections 4.07(b), 4.07(c) and/or 4.07(d) hereof in any fiscal year, such allocations shall be made in the priorities required by Treasury Regulation Sections 1.704-1(b) and 1.704-2.

(f) "Nonrecourse deductions" (within the meaning of Treasury Regulation Sections 1.704-2(b)(1) and 1.704-2(c)) for any fiscal year or other period shall be specially allocated to the Partners in proportion to their Percentage Shares. "Partner nonrecourse deductions" (within the meaning of Treasury Regulation Section 1.704-2(i)) for any fiscal year or other period shall be specially allocated to the Partner who bears the economic risk of loss with respect to the "partner nonrecourse debt" (within the meaning of Treasury Regulation Section 1.704-2(b)(4)) to which such partner nonrecourse deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i).

(g) As used herein, the following terms shall have the following meanings associated with them:

(i) The term "Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any in such Partner's Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

(A) Add to such Capital Account the following items: (1) the amount, if any, which such Partner is obligated to contribute to the Partnership upon liquidation of such Partner's interest; and (2) the amount which such Partner is deemed to be obligated to restore to the Partnership pursuant to the penultimate sentences of Treasury Regulation Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(B) Subtract from such Capital Account such Partner's share of the items described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6).

(ii) The term "Partnership Minimum Gain" shall have the meaning set forth in Treasury Regulation Sections 1.704-2(b) and 1.704-2(d).

(iii) The term "Partner Minimum Gain" means an amount, with respect to each "partner nonrecourse debt" (within the meaning of Treasury Regulation Section 1.704-2(b)(4)), equal to the Partnership Minimum Gain that would result if such partner nonrecourse debt were treated as a "nonrecourse liability" (within the meaning of Treasury Regulation Sections 1.704-2(b)(3) and 1.752-1(a)(2)), determined in accordance with Treasury Regulation Section 1.704-2(i).

(h) The Partners acknowledge that all Distributions (including distributions upon liquidation of the Partnership) are intended to be made in accordance with the priorities set forth in Sections 4.04, 4.05 and 12.03 hereof and that the Partners' Capital Accounts are intended to reflect the manner in which such distributions are intended to be made. The allocations set forth in Sections 4.07(a) (last sentence), 4.07(b), 4.07(c), 4.07(d) and/or 4.07(f) hereof (the "Regulatory Allocations") are intended to comply with certain requirements of Treasury Regulation Sections 1.704-1(b) and 1.704-2, but may

result in distortions of the Partners' Capital Accounts in relation to the Distributions that each Partner is intended to receive from the Partnership. Notwithstanding the provisions of Sections 4.01, 4.02, 4.03 and 4.07 hereof (other than the Regulatory Allocations), the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Partners so that, to the extent possible, at any point in time the Partners' Capital Accounts shall reflect the manner in which Distributions would be made to the Partners, if the Partnership were liquidated and the proceeds of such liquidation were distributed to the Partners in accordance with Section 12.03 hereof.

(i) For any fiscal year during which (a) a Partner's interest in the Partnership is assigned by such Partner (or by an assignee or successor in interest to a Partner) or (b) a Partner's Percentage Share changes, the portion of the taxable income and tax loss of the Partnership that is allocable in respect of such Partner's transferred or modified interest shall be apportioned between the assignor and the assignee of such Partner's interest, in the case of an assignment, or allocated, as otherwise provided in this Article 4, in the case of a change in Percentage Shares, on the basis of an interim closing of the Partnership's books, without regard to any payments or distributions made to the Partners before or after such assignment or change, except as otherwise provided in and required by Code Section 706(d)(2); provided that in any event any assignments or transfers of any interest in the Partnership shall be subject to the provisions of Sections 5.11 and 6.05 hereof.

(j) In the event that any amount claimed by the Partnership to constitute a deductible expense in any fiscal year is treated for federal income tax purposes as a distribution made to a Partner in its capacity as a partner of the Partnership and not a guaranteed payment as defined in Code Section 707(c) or a payment to a Partner not acting in its capacity as a partner under Code Section 707(a), then the Partner who is deemed to have received such distribution shall first be allocated an amount of Partnership gross income equal to such payment, its Capital Account shall be reduced to reflect the distribution, and for purposes of this Article 4, taxable income and tax loss shall be determined after making the allocation required by this Section 4.07(j).

(k) Notwithstanding any other provision of this Agreement, allocations of items for book and tax purposes and adjustments to the Partners' Capital Accounts shall be made in accordance with the provisions of Treasury Regulation Sections 1.704-1(b) and 1.704-2. In particular, as required by Treasury Regulation Section 1.704-1(b)(4)(i), income, gain, loss and deduction for tax purposes with respect to Partnership property revalued on the Partnership's books and records shall be shared among the Partners so as to take account of the variation between the adjusted tax basis of such property and its book value in the same manner as variations between the adjusted tax basis and fair market value of property contributed to a partnership are to be taken into account in determining the partners' shares of tax items under Code Section 704(c).

(l) Notwithstanding the foregoing provisions of this Article 4, income, gain, loss and deduction with respect to property contributed to the Partnership by a Partner shall be shared among the Partners, pursuant to Treasury Regulations promulgated under Code Section 704(c), so as to take account of the variation, if any, between the basis of the property to the Partnership and its fair market value at the time of contribution.

(m) In the event that the Code or any Treasury Regulations promulgated thereunder require allocations of items of income, gain, loss, deduction or credit different from those set forth in this Agreement, upon the advice of the Partnership's counsel or accountants, the General Partner is hereby authorized to make new allocations in reliance upon the Code, the Treasury Regulations and such advice of the Partnership's counsel or accountants, and no such new allocation shall give rise to any claim or cause of action by the Limited Partner or the Partnership.

ARTICLE 5

GENERAL PARTNER

5.01 Management Authority of the General Partner. The General Partner shall have full, complete and exclusive discretion to manage and control the business of the Partnership for the purposes herein stated, shall make all decisions affecting the business of the Partnership, and shall manage and control the affairs of the Partnership. In addition to the rights and powers herein conferred, the General Partner shall possess and may exercise all of the rights and powers of a general partner as provided in (but subject to the limitations and restrictions of) the Act. The General Partner, on behalf of the Partnership and in furtherance of the business of the Partnership, shall have the power and authority to perform all acts which the Partnership is authorized to perform, and to (without limitation) do any of the following:

(a) enter into such sales agreements, construction agreements, leases, licenses, easements, covenants, conditions or restrictions, agreements with other land owners, construction contracts, set aside agreements, or other contracts, agreements, documents, or arrangements with respect to all or any portion of the Property or the other Partnership assets, whether or not such arrangements (including renewal terms) shall extend beyond the date of the termination of the Partnership, at such rental or amount, or for such consideration, and upon such terms, as it deems proper;

(b) compromise, submit to arbitration, sue on or defend all claims in favor of or against the Partnership;

(c) make and revoke any election permitted the Partnership by any taxing authority;

(d) borrow money for Partnership purposes and as security therefor to mortgage, pledge, hypothecate or encumber all or any part of the Property or other assets of the Partnership, and to repay, prepay, refinance, increase, modify, recast, consolidate or extend, in whole or in part, all such loans and indebtedness, as and when it shall see fit and enter into any loan agreements, notes, mortgages, financing statements, assignment of rents, guarantees, letters of credit, or other documents, agreements, security arrangements or other arrangements in connection therewith;

(e) acquire rights, title or interests in, manage, maintain and improve all or any portion of the Property consistent with the purposes of the Partnership;

(f) do all acts it deems necessary, appropriate, incidental or convenient for the operation, development, management, disposition, improvement, protection or preservation of the Partnership business;

(g) obtain and keep in force such forms of insurance in such amounts, and upon such terms and with such carriers, as it shall determine;

(h) employ, engage or contract with persons for the operation, development, management, disposition, improvement, protection or presentation of the Partnership business, including but not limited to, land managers, construction managers, property managers, casino managers, riverboat operators, appraisers, consulting engineers, architects, contractors, developers, agents, insurance brokers, real estate brokers, leasing agents, loan brokers, accountants and attorneys, on such terms, for such compensation and pursuant to any such contracts or agreements as the General Partner shall determine;

(i) establish reserve funds for Partnership purposes from revenues derived from Partnership operations or from financing, refinancing, sales or other dispositions of the Property or any of the Partnership assets;

(j) enter into agreements, options or any other arrangements for the lease, sale, exchange or other disposition of all or any portion of the Property or any of the Partnership assets, notwithstanding that such activity may constitute a sale or disposition of all or substantially all of the assets of the Partnership, it being agreed that such a sale or disposition shall not be deemed to constitute an act which would make it impossible to carry on the ordinary business of the Partnership;

(k) execute, acknowledge, deliver and perform any and all deeds, agreements, documents and instruments to effectuate the foregoing;

(l) obtain and maintain all necessary permits, licenses, rezoning, variances, consents, approvals or entitlements from any Port Authorities, the U.S. Army Corp of Engineers, the Illinois Gaming Board, the City of Joliet, Illinois, the County of Will, the State of Illinois or any other federal, state, county or municipal authority or any governmental or quasi-governmental entity necessary for the development and use of the Property in connection with the Project;

(m) develop and improve shore facilities, acquire and renovate vessels, appear before the Illinois Gaming Board or other governmental authorities and manage and control the relationship of the Partnership with such governmental authorities, and commission and obtain environmental, wetlands, engineering and other reports and studies;

(n) execute, acknowledge, deliver and perform a Construction Contract with Service Marine Industries, Inc. or any other contractor for construction of a vessel as General Partner shall determine, and a Development Agreement with The City of Joliet, each on terms and conditions it deems appropriate;

(o) execute, acknowledge, deliver and perform a Management Agreement with the General Partner or any of its Affiliates on the terms and conditions set forth on the term sheet attached hereto as Exhibit C, ---------- which agreement the Partners hereby agree complies with the provisions of Section 5.06 hereof, and the Limited Partner hereby acknowledges its understanding that said Management Agreement will be between the Partnership with the General Partner acting on behalf of the Partnership, as Owner, and the General Partner or its Affiliate, as Manager, and the Limited Partner hereby expressly acknowledges and agrees that the General Partner, on behalf of the Partnership, as Owner under such Management Agreement, shall have the sole authority, in its discretion, to (defined terms used in the following items shall have the meanings specified in said Management Agreement):

(1) approve any Pre-Opening Budget;

(2) approve any Pre-Opening Program;

(3) approve any plans and specifications in connection with the construction and renovation of the Building or the Vessel;

(4) inspect and approve for occupancy or use the Building or the Vessel;

(5) incur and approve Capital Expenditures;

(6) approve any Annual Plan;

(7) exercise any right of first offer under the Management

Agreement;

(8) declare or waive any Event of Default under the Management Agreement and exercise or forebear from exercising any remedy to which the Partnership, as Owner, is entitled under the Management Agreement;

(9) submit to arbitration any dispute arising under the Management Agreement;

(10) enter any agreement with the Manager to amend or modify the Management Agreement; or

(11) perform any other action, give any consent, or approval or exercise any other right on behalf of the Partnership, as Owner, under the Management Agreement.

(p) admit additional general and limited partners of the Partnership on such terms and conditions as the General Partner shall determine; provided, however, that (1) if the General Partner shall admit
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an additional general partner who is not an Affiliate of the General Partner, then the General Partner shall give notice to the Limited Partner of such impending admission no less than thirty (30) days prior to such admission, and the Limited Partner shall have the right, for a period of thirty (30) days after the date of such notice, to notify the General Partner in writing of its objection to such admission and require the General Partner to exercise the remedies set forth in either Section 8.01(c) or Section 8.01(d) hereof, at the sole election of the General Partner and (2) the General Partner's right to admit additional limited partners, other than in the case of a transfer of any interest of the Limited Partner or the General Partner, shall be limited to admitting additional limited partners which limited partners' aggregate Percentage Share does not exceed fifty percent (50%), and any such admission of additional limited partners shall ratably reduce the Percentage Shares of existing partners. For the purposes of any exercise of remedies pursuant to this Section 5.01(p), (i) the Limited Partner shall be deemed the Defaulting Partner, and (ii) the Appraisal Buyout Price (as defined in Section 8.05(b) hereof) shall be calculated by using one hundred percent (100%) of the Appraised Value (as defined in Section 9.03 hereof).

Any and all of the foregoing powers of the General Partner as set forth in this Section 5.01 shall be exercised in the sole determination of the General Partner, and the Limited Partner shall have no right to approve, veto or vote on any such decision.

5.02 Limitation on Authority of the General Partner. The General
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Partner shall have no authority without the prior written consent of the Limited Partner to:

(a) do any act in contravention of this Agreement;

(b) do any act which would make it impossible to carry on the ordinary business of the Partnership (it being expressly understood that the General Partner may consummate a sale, financing, or other disposition of all or any portion of the assets of the Partnership, including the Property, without obtaining the prior consent or approval of the Limited Partner and that such action is not inconsistent with this Subsection 5.02(b));

(c) possess Partnership property or assign the rights of the Partnership in specific Partnership assets for other than a Partnership purpose;

(d) on behalf of the Partnership, become a surety or guarantor of, or an accommodation party to, an obligation of any other person, except as may be necessary in connection with the development,

financing, refinancing, operation or sale or other disposition of the Property or any of the Partnership assets; or

(e) assign the Partnership assets in trust for creditors or on the assignee's promise to pay the debts of the Partnership.

5.03 Delegation of Authority. The General Partner may delegate any of its powers, rights and obligations hereunder, and may appoint, employ, contract or otherwise deal with any person for the transaction of the business of the Partnership, which person may, under supervision of the General Partner, perform any acts or services for the Partnership as the General Partner may approve. Any delegation of powers, rights or obligations pursuant to this Section 5.03 shall at all times be subject to the supervision of the General Partner.

5.04 Compensation. The General Partner shall receive no compensation for its activities as General Partner, except as otherwise authorized in Section 5.06 hereof; provided that nothing herein shall restrict reimbursement to the General Partner of any costs or expense incurred by it in connection with the Partnership.

5.05 Extent of Management Duties. The General Partner and its officers and directors, shall not be required to devote their full time to the management of the Partnership business, and the General Partner and its officers and directors, shall devote only such time to the Partnership business as they, in their sole discretion, shall deem to be necessary to manage and supervise the Partnership business and affairs in an efficient manner; but nothing in this Agreement shall preclude the employment, at the expense of the Partnership, of any agent or third party manager to manage or provide other services in respect of the Partnership assets, subject to the supervision by the General Partner of any such agent or party.

5.06 Transactions with Related Parties

(a) The General Partner may engage the individual services of any Partner (including the General Partner), or any Affiliate of a Partner, and nothing in this Agreement shall preclude the payment as a Partnership expense to such Partner or Affiliate of compensation for such services rendered; provided, however, that any such compensation, fee, commission or other payment shall not exceed the rates generally charged by others for similar services.

(b) Except as herein provided or as permitted under Section 5.06(a) hereof, no Partner shall receive any fee or other compensation for its services to the Partnership; provided that the Partnership shall reimburse the General Partner for all reasonable out-of-pocket expenses authorized by the General Partner and incurred by the General Partner on behalf of the Partnership in connection with the business and affairs of the Partnership, including, without limitation, all legal, accounting, travel, lodging, telephone, third party consulting charges and other similar expenses.

5.07 Liability for Acts and Omissions

(a) To the fullest extent permitted by applicable law, the General Partner, any Affiliate of the General Partner, and any agents, officers, directors, stockholders and employees of the General Partner or such Affiliate (each an "Indemnified Person") shall not be liable, responsible or accountable in damages or otherwise to the Partnership, or to any of the Partners, for any act or omission performed or omitted by them in good faith on behalf of the Partnership and in a manner reasonably believed by them to be within the scope of their authority and in the best interests of the Partnership; provided, however, that this exculpation shall not apply to acts or omissions which are determined, by final decision of a court of competent jurisdiction, to constitute either fraud, bad faith, gross negligence, or wilful misconduct.

(b) To the fullest extent permitted by law, the Partnership, its receiver or its trustee, shall indemnify and hold harmless each Indemnified Person from and against any and all loss, cost, damage, expense or liability,

including, without limitation, fees and expenses of attorneys and other experts and advisors and any and all court costs incurred by them or any of them, which relate to or arise out of the Partnership, the Property, the Project or the Partnership's business or affairs, regardless of whether such Indemnified Person continues to be the General Partner, any Affiliate of the General Partner, and any agents, officers, directors, stockholders and employees of the General Partner or such Affiliate at the time any such liability or expense is paid or incurred, if the Indemnified Person's conduct did not constitute fraud, bad faith, gross negligence or willful misconduct.

(c) To the extent that, at law or in equity, an Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to the Partners, any Indemnified Person acting under this Agreement or otherwise shall not be liable to the Partnership or to any Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they expand or restrict the duties and liabilities of an Indemnified Person otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such Indemnified Person.

(d) Whenever in this Agreement the General Partner is permitted or required to make a decision (i) in its "sole discretion" or "discretion," or under a similar grant of authority or latitude, the General Partner shall make such decision in good faith considering only the best interests of the Partnership and shall have no duty or obligation to give any consideration to any interest of or factors affecting any Limited Partner, or (ii) in its "good faith" or under another express standard, the General Partner shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement or by law or any other agreement contemplated herein. Any agreement made in good faith by the General Partner shall be binding on the Partners and the Partnership. The Limited Partner hereby agrees that any standard of care or duty imposed in this Agreement or any other agreement contemplated herein or under the Act or any other applicable law, rule or regulations shall be modified, waived or limited in each case as required to permit the General Partner to act under this Agreement or any other agreement contemplated herein and to make any decision pursuant to the authority prescribed in this Agreement so long as such action or decision does not constitute wilful misconduct and is reasonably believed by the General Partner to be consistent with the overall purposes of the Partnership.

5.08 Right to Rely Upon the Authority of the General Partner. Persons dealing with the Partnership may rely upon the representation of the General Partner that it has the authority to make any commitment or undertaking on behalf of the Partnership. No person dealing with the General Partner shall be required to ascertain its authority to make any such commitment or undertaking, or any other fact or circumstance bearing upon the existence of its authority. In no event shall any person dealing with the General Partner, with respect to any of the Partnership assets, be obligated to see to the application of any purchase money, rent or money borrowed or advanced thereon, or be obligated to see that the terms of this Agreement have been complied with, or be obligated to inquire into the necessity or expediency of any act or action of such General Partner, and every contract, agreement, deed, mortgage, lease, promissory note or other instrument or document executed by the General Partner, with respect to any of the Partnership's assets, shall be conclusive evidence in favor of any and every person relying thereon or claiming thereunder that (a) at the time or times of the execution and/or delivery thereof, the Partnership was in full force and effect, (b) such instrument or document was duly executed and authorized and is binding upon the Partnership and all of the Partners and (c) the General Partner executing and delivering the same was duly authorized and empowered to execute and deliver any and every such instrument or document for and on behalf of the Partnership.

5.09 Continuing Liability. In the event that the General Partner withdraws from the Partnership, or sells, transfers or assigns its entire partnership interest, the General Partner shall be free of any obligation or liability incurred on account of the activities of the Partnership from and

after such time, and unless the General Partner's successor assumes the obligations and liabilities incurred by the General Partner prior to such date, the General Partner shall remain liable for all such obligations and liabilities incurred by it as General Partner prior to the effective date of such occurrence.

5.10 Effect of Bankruptcy of the General Partner. None of the events described in Section 17-402(a)(4) or (5) of the Act with respect to the General Partner shall cause the General Partner to cease to be a general partner of the Partnership or the dissolution of the Partnership, and the business of the Partnership shall continue. Upon the occurrence of any of the events described in Section 17-402(a)(4) or (5) of the Act with respect to the General Partner, the Limited Partner at its option by written notice to the General Partner may assume all rights of the General Partner for the purpose of managing the affairs of the Partnership or designate a successor General Partner to replace the General Partner.

5.11 Transfer of General Partnership Interest; Right of First Refusal

(a) If the General Partner desires to sell, assign or otherwise transfer its Partnership interest to a person or entity (other than an Affiliate of the General Partner), it shall not sell, assign or otherwise transfer its Partnership interest to any person, or other entity not then a Partner (other than an Affiliate of the General Partner), until such Partnership interest is first offered for sale to the Limited Partner. Such first refusal offer to the Limited Partner shall be made in writing setting forth all of the terms and conditions on which the General Partner proposes to sell its Partnership interest (whether or not the General Partner has received a bona fide offer for the purchase of its Partnership interest) and shall state the name of the prospective purchasers, if any, who have indicated a willingness to purchase on such terms and conditions. Said terms and conditions shall include at a minimum the purchase price, timing, method of payment and financing terms, if any. The Limited Partner shall then have a first refusal right for fifteen (15) days after the date of the receipt of such first refusal offer to elect to acquire the General Partner's Partnership interest upon the same terms and conditions as those set forth in such first refusal offer.

(b) For the purposes of this Section 5.11, the General Partner may grant to a prospective purchaser an option or contingent contract to purchase its Partnership interest without offering to grant the Limited Partner a similar option or contingent contract and without making a first refusal offer pursuant to this Section 5.11 to the Limited Partner, but the Partnership interest may not be sold to such prospective purchaser, pursuant to the exercise of such option or contingent contract or otherwise unless such Partnership interest is first offered to the Limited Partner pursuant to a first refusal offer under this Section 5.11.

(c) If the Limited Partner shall not exercise the right to acquire the General Partner's Partnership interest by notifying the General Partner of its election to do so within fifteen (15) days of such offer, accepting a conveyance of the Partnership interest and making payment therefor within such period on the above terms, the General Partner may, within a period of six (6) months from the date of such first refusal offer, either (i) dispose of the Partnership interest upon terms and conditions no more favorable to the prospective purchaser than those set forth in such first refusal offer, or (ii) arrange for the sale of both its interest and the Limited Partner's interest in the Partnership on such terms and conditions as it deems acceptable, and the Limited Partner hereby agrees to dispose of its entire Partnership interest to the prospective purchaser on such terms and conditions. The proceeds from such sale of all of the Partnership interest shall be distributed in accordance with Article 12 hereof.

(d) If during the six (6) month period from the date of such first refusal offer the General Partner receives an offer for its Partnership interest from a prospective purchaser on terms less favorable to the General Partner than the terms specified in such first refusal offer, prior to accepting

such offer the General Partner shall give notice (the "Subsequent Offer") to the Limited Partner and specify that the General Partner is willing to sell its Partnership interest on such terms. The Limited Partner shall have the right for a period of fifteen (15) days after the Subsequent Offer to elect to purchase the Partnership interest of the General Partner, on the terms less favorable to the General Partner than the terms specified in the Subsequent Offer. If the Limited Partner shall not exercise the right to acquire the General Partner's Partnership interest by notifying the General Partner of its election to do so within fifteen (15) days thereafter, accepting a conveyance of the Partnership interest and making payment therefor within such period on the terms set forth in the Subsequent Offer, such Partnership interest may be disposed of by the General Partner to a prospective purchaser upon terms and conditions no more favorable to such prospective purchaser than those set forth in the Subsequent Offer. The General Partner may reinstitute the procedure set forth in this Section 5.11(d) if no disposition is made within the six (6) month period.

(e) In the event that the General Partner, pursuant to this Section 5.11, transfers all or a portion of its interest in the Partnership as a general partner of the Partnership to another Person (a "Transferee"), the admission to the Partnership of the Transferee as a successor or additional General Partner, as the case may be, shall be conditioned upon the receipt by the General Partner of the following: (1) the successor or additional General Partner's agreement in writing to be bound by all of the terms of this Agreement, including acting as a General Partner hereunder, (2) such other documents or instruments as may be required in order to effect its admission as a General Partner under this Agreement and applicable law, and (3) the Transferee expressly assumes all of the obligations of this Agreement, including without limitation, those in this Section 5.11. In the event the transfer by the General Partner is of its entire interest in the Partnership as a general partner of the Partnership, upon satisfaction of the conditions set forth in items (1), (2) and (3) above, the admission of the Transferee to the Partnership as a successor General Partner shall occur, and for all purposes shall be deemed to have occurred, immediately prior to the transfer by the General Partner of its interest in the Partnership. Upon a transfer by the General Partner of its entire interest in the Partnership, the General Partner shall cease to be a general partner of the Partnership and the successor General Partner shall continue, and is hereby authorized to continue, the business of the Partnership without dissolution. In the event that the General Partner, pursuant to this Section 5.11, transfers a portion of its interest in the Partnership as a general partner of the Partnership to a Transferee, the admission of the Transferee to the Partnership as an additional General Partner shall occur upon satisfaction of the conditions set forth in items (1), (2) and (3) above. In accordance with the Act, upon the admission of a successor or additional General Partner to the Partnership as set forth above, an appropriate amendment to the Certificate of Limited Partnership of the Partnership shall be filed with the Secretary of State of the State of Delaware.

(f) For purposes of this Section, such terms and conditions of the prospective purchaser's offer will be considered more favorable to such prospective purchaser if the present value of the purchase price in such offer (discounted at a rate of fifteen percent (15%)) is less than the present value of the purchase price in such first refusal offer.

5.12 Right to Own Limited Partnership Interest. Nothing herein shall prevent the General Partner or an officer, shareholder, director or Affiliate of the General Partner from owning any limited partner interest herein, and to the extent of such ownership, said officer, shareholder or director shall not be deemed to be a General Partner and shall be considered as a Limited Partner and shall be governed by all of the rights, privileges, duties and responsibilities attendant upon said limited partner interest.

ARTICLE 6

LIMITED PARTNER

6.01 Limitation on Liability of Limited Partners. The Limited Partner shall not be liable for the debts, liabilities, contracts or any other obligations of the Partnership in excess of its contribution to the capital of the Partnership (which has not been previously returned to it), its obligations to make other payments provided for in this Agreement, and its share of the Partnership's assets and undistributed profits (subject to the obligation of a Limited Partner to repay any funds wrongfully distributed to it). The Limited Partner shall be liable to make its Capital Contributions as and when required pursuant to Section 3.01(c) hereof or otherwise under the terms of this Agreement, and to contribute any negative balance in its Capital Account when and as required hereby. The Limited Partner shall not be required to lend any funds to the Partnership.

6.02 Management of the Partnership. The Limited Partner shall not take part in the management or control of the business of the Partnership, nor transact any business in the name of the Partnership, nor shall have any right or authority to act for or bind the Partnership, except as shall be expressly required pursuant to this Agreement.

6.03 Power of Attorney. The Limited Partner, by execution hereof, hereby irrevocably constitutes and appoints the General Partner with full power of substitution as its true and lawful attorney-in-fact, in its name, place and stead to make, execute, sign, acknowledge, swear to, record and file, on behalf of the Limited Partner and on behalf of the Partnership, the following:

(a) the Partnership's Certificate of Limited Partnership, a certificate of doing business under an assumed name, and any other certificates or instruments which may be required to be filed by the Partnership or the Partners under applicable law;

(b) a certificate of cancellation of the Partnership and such other instruments or documents as may be deemed necessary or desirable by said attorney upon the dissolution and winding up of the affairs of the Partnership;

(c) any and all amendments of the instruments described in Subsections (a) and (b) above and amendments to this Agreement, provided such amendments are either required by law to be filed, permitted to be made by the General Partner pursuant to Section 10.06 hereof or have been authorized by the Partners;

(d) any and all notes, security agreements, mortgages and UCC-1 financing statements, as may be necessary to grant and perfect a security interest in the Defaulting Partner's Partnership interest to secure any Default Loan made by a Nondefaulting Partner pursuant to Section 8.04(a) hereof; and

(e) any and all such other instruments as may be deemed necessary or desirable by said attorney to carry out fully the provisions hereof in accordance with its terms.

The foregoing appointments and grants of authority (i) are special powers of attorney, coupled with an interest, (ii) shall survive the death, bankruptcy, dissolution, or adjudication of incompetency of the Limited Partner and (iii) may be exercised by the General Partner for the Limited Partner by a facsimile signature of the General Partner. Pursuant to the power of attorney granted by the Limited Partner to the General Partner as hereinabove described, the Limited Partner authorizes said attorney to take any further action which said attorney shall consider necessary or convenient in connection with any of the foregoing, hereby giving said attorney full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and about the foregoing as fully as the Limited Partner might or could do if personally

present, and hereby ratifying and confirming all that said attorney shall lawfully do or cause to be done by virtue hereof.

6.04 Representations

(a) No registration statement relating to the limited partnership interests in the Partnership or otherwise, has been or shall be filed with the United States Securities and Exchange Commission under the federal Securities Act of 1933, as amended, or the securities laws of any state.

(b) The Limited Partner represents and warrants to the General Partner and to the Partnership that:

(i) The Limited Partner has the power and authority to execute and comply with the terms and provisions hereof;

(ii) The Limited Partner's Partnership interest has been or will be acquired solely by and for the account of the Limited Partner for investment purposes only and is not being purchased for, or with a view to, subdivision, fractionalization, resale or distribution; except as provided in this Agreement, the Limited Partner has no contract, undertaking, agreement or arrangement with any person to sell, transfer or pledge to such person or anyone else the Limited Partner's Partnership interest (or any part thereof); and the Limited Partner has no present plans or intentions to enter into any such contract, undertaking or arrangement; and agrees not to sell, hypothecate or otherwise dispose of all or any part of its partnership interest;

(iii) The Limited Partner's partnership interest has not and will not be registered under the federal Securities Act of 1933, as amended, and cannot be sold or transferred without compliance with the registration provisions of said Act or compliance with exemptions, if any, available thereunder. The Limited Partner understands that neither the Partnership nor its General Partner have any obligation or intention to register the partnership interests under any federal or state securities act or law, or to file the reports to make public the information required by Rule 144 under the Securities Act of 1933, as amended;

(iv) The Limited Partner represents that: (A) the Limited Partner has knowledge and experience in financial and business matters in general, and in investments of the type made by the Partnership in particular; (B) the Limited Partner is capable of evaluating the merits and risks of an investment in the Partnership; (C) the Limited Partner's financial condition is such that the Limited Partner has no need for liquidity with respect to the Limited Partner's investment in the Partnership to satisfy any existing or contemplated undertaking or indebtedness; (D) the Limited Partner is able to bear the economic risk of the Limited Partner's investment in the Partnership for an indefinite period of time, including the risk of losing all of such investment, and loss of such investment would not materially adversely affect the Limited Partner; (E) the Limited Partner has either secured independent tax advice with respect to the investment in the Partnership, upon which the Limited Partner is solely relying, or the Limited Partner is sufficiently familiar with the income taxation of partnerships that the Limited Partner has deemed such independent advice unnecessary;

(v) The Limited Partner acknowledges that it has received or has access to all material information and documents with respect to the Partnership and has had an opportunity to ask questions and receive answers thereto and to verify and clarify any information available to the General Partner;

(vi) The Limited Partner has relied solely upon independent investigation made by the Limited Partner, and not on any statements, actions or representations of the General Partner or any Affiliate of the General Partner, in making the decision to acquire the

Limited Partner's partnership interest; and

(vii) The Limited Partner acknowledges that: (A) no federal or state agency has reviewed or passed upon the adequacy or accuracy of the information set forth in the documents submitted to the Limited Partner or made any finding or determination as to the fairness for investment, or any recommendation or endorsement of an investment in the Partnership; (B) there are restrictions on the transferability of the Limited Partner's interest hereunder; (C) there will be no public market for the Limited Partner's partnership interest, and, accordingly, it may not be possible for the Limited Partner to liquidate its investment in the Partnership; and (D) any anticipated federal or state income tax benefits applicable to the Limited Partner's partnership interest may be lost through changes in, or adverse interpretations of, existing laws and regulations.

(viii) The Limited Partner is the sole owner of DPDC, and DPDC and the Limited Partner, in connection with the investigation of DPDC by the Illinois Gaming Board, have been found suitable by the Illinois Gaming Board.

6.05 Restriction on Transfer of Limited Partnership Interest; Right of First Refusal

(a) Notwithstanding anything to the contrary contained herein, the Limited Partner may not sell, transfer or assign, in whole or in part, its partnership interest without first obtaining the General Partner's prior written consent, which consent may not be unreasonably withheld or denied.

(b) If the Limited Partner desires to sell, assign or otherwise transfer its Partnership interest, it shall not sell, assign or otherwise transfer its Partnership interest to any person, or other entity not then a Partner, until such Partnership interest is first offered for sale to the General Partner. Such first refusal offer to the General Partner shall be made in writing setting forth all of the terms and conditions on which the Limited Partner proposes to sell its Partnership interest (whether or not the Limited Partner has received a bona fide offer for the purchase of its Partnership interest) and shall state the name of the prospective purchasers, if any, who have indicated a willingness to purchase on such terms and conditions. Said terms and conditions shall include at a minimum the purchase price, timing, method of payment and financing terms, if any. The General Partner shall then have a first refusal right for fifteen (15) days after the date of the receipt of such first refusal offer to elect to acquire the Limited Partner's Partnership interest upon the same terms and conditions as those set forth in such first refusal offer.

(c) For the purposes of this Section 6.05 and subject to the provisions of Section 6.05(a) hereof, the Limited Partner may grant to a prospective purchaser an option or contingent contract (which such option or contingent contract expressly states that any sale thereunder is subject to the first refusal offer under this Section) to purchase its Partnership interest without offering to grant the General Partner a similar option or contingent contract and without making a first refusal offer pursuant to this Section 6.05 to the General Partner, but the Partnership interest may not be sold to such prospective purchaser, pursuant to the exercise of such option or contingent contract or otherwise unless such Partnership interest is first offered to the General Partner pursuant to a first refusal offer under this Section 6.05.

(d) If the General Partner shall not exercise the right to acquire the Limited Partner's Partnership interest by notifying the Limited Partner of its election to do so within fifteen (15) days of such offer, accepting a conveyance of the Partnership interest and making payment therefor within such period on the above terms, such Partnership interest may and subject to the provisions of Section 6.05(a) hereof, within a period of six (6) months from the date of such first refusal offer, be disposed of by the Limited Partner upon terms and conditions no more favorable to the prospective purchaser than

those set forth in such first refusal offer, but not otherwise.

(e) If during the six (6) month period from the date of such first refusal offer the Limited Partner receives an offer for its Partnership interest from a prospective purchaser on terms less favorable to the Limited Partner than the terms specified in such first refusal offer, prior to accepting such offer the Limited Partner shall give notice (the "Subsequent Offer") to the General Partner and specify that the Limited Partner is willing to sell its Partnership interest on such terms. The General Partner shall have the right for a period of fifteen (15) days after the Subsequent Offer to elect to purchase the Partnership interest of the Limited Partner, on the terms specified in the Subsequent Offer. If the General Partner shall not exercise the right to acquire the Limited Partner's Partnership interest by notifying the Limited Partner of its election to do so within fifteen (15) days thereafter, accepting a conveyance of the Partnership interest and making payment therefor within such period on the terms set forth in the Subsequent Offer, such Partnership interest may be disposed of by the Limited Partner to a prospective purchaser upon terms and conditions no more favorable to the purchaser than those set forth in the Subsequent Offer. The Limited Partner may reinstitute the procedure set forth in this Section 6.05(e) if no disposition is made within the six (6) month period.

(f) If, in accordance with this Section, the General Partner approves a transfer by the Limited Partner of a portion of its Partnership interest to another Person (an "Assignee"), such Assignee shall be admitted to the Partnership as a limited partner of the Partnership upon (1) its execution of a counterpart to this Agreement, (2) when such Assignee is listed as a Limited Partner of the Partnership on the books and records of the Partnership, and (3) the Assignee expressly assumes all of the obligations of this Agreement, including without limitation, those contained in this Section 6.05. In the event the transfer by the Limited Partner is of its entire interest in the Partnership as a limited partner of the Partnership, upon satisfaction of conditions (1), (2) and (3) above, the admission of the Assignee to the Partnership as a successor Limited Partner shall occur, and for all purposes shall be deemed to have occurred immediately prior to the transfer by the Limited Partner of its interest in the Partnership.

(g) For purposes of this Section, such terms and conditions of the prospective purchaser's offer will be considered more favorable to such prospective purchaser if the present value of the purchase price in such offer (discounted at a rate of fifteen percent (15%)) is less than the present value of the purchase price in such first refusal offer.

6.06 Disposition if No Gaming Qualification. Affiliates of the General Partner own and operate or will own and operate casino gaming facilities in the states of Nevada and New Jersey, and other jurisdictions, which are subject to extensive state and local regulation. The Partnership and the Partners will be subject to gaming laws and regulations in the State of Illinois. If in the sole judgment and discretion of the General Partner (without regard for the interests of the Partnership or the Limited Partner) the status of the Limited Partner or any Affiliate of the Limited Partner as they may be associated with the General Partner may result in a disciplinary action or the loss of or inability to reinstate any registration, application or license or any rights or entitlements held by the Partnership, the General Partner or any Affiliate of the General Partner under any state or local gaming laws, or if the Limited Partner or any Affiliate of the Limited Partner fails to remain qualified in Illinois or is required to qualify or be found suitable under any other state or local gaming laws under which the General Partner, the Partnership or any Affiliate of the General Partner is licensed, registered, qualified or found suitable, and the Limited Partner or any Affiliate of the Limited Partner does not so qualify (at its own expense), then (i) the General Partner shall deliver written notice of the foregoing to the Limited Partner, and (ii) if in the sole judgment and discretion of the General Partner (without regard for the interests of the Partnership or the Limited Partner) the foregoing is either not curable within ten (10) days or less from the date of such notice, or if curable within such time period the Limited Partner does not

effect such cure within such time period, then the Limited Partner shall be deemed to be in default in accordance with paragraph (e) of Article 7 hereof and the General Partner shall be deemed the Nondefaulting Partner under Section 8.01 hereof and be entitled, in its sole discretion (without regard for the interest of the Partnership or the Limited Partner), to exercise the remedies in Section 8.01(b) hereof or Section 8.01(c) hereof (subject to applicable gaming regulations); provided, however, that for purposes of any exercise of remedies pursuant to this Section 6.06 the Appraisal Buyout Price (as defined in Section 8.05(b) hereof) shall be calculated by using One Hundred percent (100%) of the Appraised Value (as defined in Section 9.03 hereof), and shall be subject to applicable gaming regulations.

6.07 Effect of Bankruptcy, Death or Incompetency of Limited Partner. The Limited Partner shall have no right to withdraw, retire or resign from the Partnership. The bankruptcy, dissolution, death or adjudication of incompetency of the Limited Partner shall not in and of itself cause the termination or dissolution of the Partnership, and the business of the Partnership shall continue. Upon any such occurrence, the trustee, receiver, executor, administrator, committee, guardian or conservator of the Limited Partner shall have all the rights of the Limited Partner for the purpose of settling or managing their estate or property.

6.08 Notices to Limited Partner. Prior to entering into any of the following transactions, the General Partner agrees to give the Limited Partner written notice of the following:

(a) execution by the Partnership of any contract, including without limitation any contract to borrow money, which by its express terms commits the Partnership to pay an amount in excess of One Million Dollars ($1,000,000);

(b) entering into a binding agreement for any capital expenditure item which agreement by its express terms commits the Partnership to pay an amount in excess of One Million Dollars ($1,000,000);

(c) prior to the commencement of each fiscal year, a copy of the Partnership's annual budget for the coming fiscal year; and

(d) proposed action or undertaking by the Partnership which shall require an additional Capital Contribution by the Limited Partner in excess of One Million Dollars ($1,000,000).

The General Partner further agrees that within fifteen (15) days of such notice the Limited Partner shall have the opportunity to call a meeting of the Partners in accordance with Section 10.05 hereof to discuss any such proposed action or undertaking of the Partnership. The Limited Partner acknowledges and agrees that the right of the Limited Partner to call such meeting and discuss the proposed action under this Section 6.08(d) shall in no way be construed as granting the Limited Partner any right to consent, approve or disapprove of the contemplated action or undertaking by the Partnership set forth in the notice provided for in this Section 6.08(d). The Limited Partner acknowledges and agrees that the General Partner, after such meeting with the Limited Partner, shall in its sole discretion (as set forth in Section 5.07(d)) decide what action shall be taken.

ARTICLE 7

EVENTS OF DEFAULT

It shall be an event of default (an "Event of Default") if any one or more of the following events shall occur:

(a) the failure of either Partner to make any Capital Contributions when and as required by Section 3.01(c) hereof or otherwise hereunder;

(b) the failure of either Partner to perform any of its obligations under this Agreement or the breach by either Partner of any of the other terms, conditions or covenants of this Agreement or the failure of any representation or warranty in this Agreement to be true in all material respects and a continuation of such failure or breach for more than thirty (30) days after written notice by the Nondefaulting Partner to the Defaulting Partner that such Defaulting Partner has failed to perform any of its obligations under, or has breached, this Agreement; provided, that no Event of Default shall exist hereunder if cure of such default has been commenced within such thirty (30) days and is thereafter diligently prosecuted;

(c) a case or proceeding shall be commenced by either Partner seeking relief under any provision or chapter of the federal Bankruptcy Code or any other federal or state law relating to insolvency, bankruptcy or reorganization; an adjudication that either Partner is insolvent or bankrupt; the entry of an order for relief under the federal Bankruptcy Code with respect to either Partner; the filing of any such petition or the commencement of any such case or proceeding against either Partner, unless such petition and the case or proceeding initiated thereby are dismissed within ninety (90) days from the date of such filing; the filing of an answer by either Partner admitting the allegations of any such petition; the appointment of a trustee, receiver or custodian for all or substantially all of the assets of either Partner unless such appointment is vacated or dismissed within ninety (90) days from the date of such appointment but not less than five (5) days before the proposed sale of any assets of either Partner; the insolvency of either Partner or the execution by either Partner of a general assignment for the benefit of creditors; the convening by either Partner of a meeting of its creditors, or any class thereof, for purposes of effecting a moratorium upon or extension or composition of its debts; the failure of either Partner to pay its debts as they mature, or the failure generally of either Partner to pay its debts as they become due; the levy, attachment, execution or other seizure of the Project or other assets of the Partner or all or substantially all of the assets or the Partner's Partnership interest where such seizure is not discharged within thirty (30) days thereafter; or the admission by either Partner in writing of its inability to pay its debts as they mature or that it is generally not paying its debts as they become due;

(d) the failure of either Partner to make payment on any purchase obligation or otherwise close any purchase arising under Section 8.03 hereof for a period of five (5) days after notice from the Partner to whom payment was due or to whom the interest in the Partnership is to be transferred.

(e) after notice to the Limited Partner and expiration of the cure period (if applicable) provided in Section 6.06 hereof, the failure of the Limited Partner to remain qualified under the Illinois gaming laws and regulations to own and operate a casino gaming facility or the finding that the Limited Partner is unsuitable under any other state or local gaming laws under which the General Partner, the Partnership or any Affiliates of the General Partner are licensed, registered and qualified, or if, in the sole judgment and discretion of the General Partner (without regard for the interests of the Partnership or the Limited Partner), the status of the Limited Partner or any Affiliate of the Limited Partner as they may be associated with the General Partner might result in a disciplinary action or the loss of or inability to reinstate any registration, application or license or any rights or entitlements held by the Partnership, the General Partner or an Affiliate of the General Partner.

(f) the failure of the Limited Partner to pay or perform under the Initial Capital Loan Documents.

(g) the death, incapacity or insanity of the Limited Partner.

ARTICLE 8

REMEDIES

8.01 Remedies. In accordance with Section 8.02 hereof, upon the occurrence of any Event of Default with respect to a Partner (the "Defaulting Partner") which shall not have been cured prior to an election by the other Partner (the "Nondefaulting Partner") under this Section 8.01, the Nondefaulting Partner may elect to do one or more of the following by written notice of such election to the Defaulting Partner:

(a) advance money to the Defaulting Partner and exercise the rights as provided in Section 8.04 hereof;

(b) wind up the affairs of, and dissolve, the Partnership, or sell the Property and any other assets of the Partnership; as provided in Section 12.01 hereof, with the proceeds of such liquidation to be applied as provided in Section 12.03 hereof;

(c) purchase the Defaulting Partner's Partnership interest as provided in Section 8.05 hereof;

(d) exercise the buy/sell as provided in Section 8.03 hereof;

(e) enforce any covenant by the Defaulting Partner to advance money (including, without limitation, any contributions required pursuant to Section 3.01(c) hereof and the contribution of a negative Capital Account balance) or to take or forbear from any other action hereunder;

(f) pursue any other remedy permitted at law or in equity;

8.02 Choice of Remedies. The election to pursue any other remedies at law or in equity pursuant to Section 8.01 hereof may be made alone or in combination with any other remedies. Nothing contained herein shall limit any rights to sue a Defaulting Partner for amounts owing to the Partnership hereunder, or for any other breach of this Agreement.

8.03 Buy and Sell

(a) If an Event of Default occurs, the Nondefaulting Partner (the "Offeror") may by written notice establish a gross sales price for the Partnership ("Partnership Price"), which shall be the price to be used in the calculation procedures set forth in Section 8.03(b) hereof. Any offer made pursuant to this Section 8.03(a) shall be the "Offer" and any notice of an Offer shall be a "Notice." The Offeror shall prepare the Notice which shall (i) state the Partnership Price, and (ii) summarize in reasonable detail the calculations described in Section 8.03(b) hereof which determine the terms on which the Offeror would be willing either (x) to purchase from the other Partner (the "Offeree") the Offeree's partnership interest or (y) to sell to the Offeree the Offeror's partnership interest, and (iii) state the liabilities to be assumed pursuant to Section 8.03(d) hereof. If the Offeror shall become a Defaulting Partner at any time after making an Offer, the buy/sell initiated pursuant to such Offer shall terminate.

(b) The prices payable to the Offeror or Offeree, as the case may be, shall be determined as follows: (i) first, the Offeror shall designate a Partnership Price as the basis for the further calculations to be made pursuant to this Section 8.03(b); (ii) second, the Partnership Price shall be treated as hypothetical proceeds of liquidation pursuant to Section 12.03 hereof, and the portions of such hypothetical proceeds which would be respectively distributed to each Partner under Section 12.03 hereof (assuming that all debts and liabilities of the Partnership to third parties shall be paid from such hypothetical proceeds or assumed by the purchasing Partner) shall be calculated, and (iii) third, (a) the portion so calculated of such hypothetical proceeds that the Offeror would receive for its Partnership interest (including or less any amounts as are payable to such Partner in respect of Default Loans pursuant

to Section 8.04(d) hereof) shall be defined as the Offeror's "Net Partnership Price", and (b) the portion so calculated of such hypothetical proceeds that the Offeree would receive for its interest in the Partnership (including or less any amounts as are payable to such Partner in respect of Default Loans pursuant to Section 8.04(d) hereof) shall be defined as the Offeree's "Net Partnership Price."

(c) From the date the Notice is given, the Offeree shall have thirty (30) days to notify the Offeror of its election either to purchase the Offeror's partnership interest or sell its own partnership interest at the prices so offered.

(1) If the Offeree determines to purchase the Offeror's partnership interest, the Offeree shall serve written notice of such election specifying a closing date for such purchase not more than ninety (90) days from the date of such notice of election (including the escrow period) within which it must purchase the partnership interest of the Offeror at the Offeror's Net Partnership Price as calculated above.

(2) If the Offeree determines to sell its partnership interest, it shall give written notice of such election to the Offeror, who shall, within ten (10) days of the Offeree's election, designate a closing date for such sale not more than ninety (90) days thereafter and shall purchase the Offeree's partnership interest at the Offeree's Net Partnership Price as calculated above.

(3) If the Offeree does not elect either to buy or sell within the thirty (30) day period referred to above, the Offeror may elect to buy the Offeree's partnership interest and the Offeror shall have the ten (10) days following expiration of such thirty (30) day period in which to designate a closing date for such purchase not more than one hundred twenty (120) days from the date of such deemed election.

(d) The closing of the purchase and sale contemplated by Section 8.03(c) hereof shall occur at a specific time and place designated by the buying Partner and at the time for closing designated in accordance with Section 8.03(c) hereof. The Partners understand and agree that, under certain circumstances, the Net Partnership Price applicable to a Partner may be less than zero (0) and require a reimbursement from the selling Partner to the buying Partner rather than a payment from the buying Partner to the selling Partner (as, for example, in the case where the selling Partner has a Capital Account with a negative balance). The Net Partnership Price for any purchase and sale pursuant to Section 8.03(c) hereof shall be paid in cash at the closing. At the closing of the purchase of a partnership interest pursuant to this Section 8.03(d), the Partnership and the buying Partner shall, and do hereby, save, protect, defend, indemnify, and hold harmless the selling Partner from all debts and liabilities owed by the Partnership to third parties. Costs of any sale of a partnership interest, including recording fees, escrow costs, if any, and other fees (but not attorneys' fees) shall be divided equally between the Partners. A Partner selling its interest in the Partnership pursuant to Section 8.03(c) hereof shall deliver all appropriate documents of transfer at closing and shall convey its Partnership interest to the buying Partner, or its nominee, free and clear of all liens, claims, encumbrances or other charges of any kind whatsoever. In the event the Partnership interest is conveyed to a nominee of the buying Partner, the admission of such nominee to the Partnership as a successor to the selling Partner shall occur, and for all purposes shall be deemed to have occurred immediately prior to the transfer by the selling Partner of its Partnership interest. From and after the closing of any such sale of a partnership interest, the selling Partner shall have no further interest in the assets, profits or management of the Partnership and shall not be responsible for any of its obligations or losses except for uninsured tort claims by third parties arising out of incidents which occurred prior to the closing, and all obligations of the Partnership to the selling Partner, including all capital accounts, loans and advances, shall be deemed satisfied and discharged.

(e) If the buying Partner shall fail to close a purchase

pursuant to Section 8.03(d) hereof, the selling Partner may, in addition to any other rights hereunder, elect to purchase the buying Partner's partnership interest at the Net Partnership Price which would otherwise have been payable to the buying Partner pursuant to Section 8.03(b) hereof.

8.04 Advances; Buy-Down

(a) If the Defaulting Partner shall have failed to make any Capital Contribution or to pay any other amount as required under this Agreement, the Nondefaulting Partner may advance to the Partnership on behalf of the Defaulting Partner the amount of such delinquency, with each such advance to be treated as a loan by the Nondefaulting Partner to the Defaulting Partner (a "Default Loan"). Each separate advance by a Nondefaulting Partner shall be a separate Default Loan. The amount of each such advance shall be credited to the Defaulting Partner's Capital Account. Each Default Loan shall be (i) secured by the Defaulting Partner's interest in the Partnership, (ii) payable on demand, and (iii) bear interest, payable monthly, at a rate equal to the lower of (x) the then Prime Rate plus three percent (3%) or (y) the maximum rate permitted under applicable law, from the date of such Default Loan to the earlier of the date of payment in full by the Defaulting Partner or the date of the Nondefaulting Partner's exercise of its rights pursuant to Sections 8.04(b) or 8.04(c) hereof. The Defaulting Partner hereby grants the Nondefaulting Partner a security interest in its Partnership interest and all proceeds thereof to secure any Default Loans made by the Nondefaulting Partner to the Defaulting Partner. The Nondefaulting Partner shall give written notice to the Defaulting Partner of the making of any such Default Loan, and the Defaulting Partner shall have one hundred twenty (120) days thereafter within which to repay the Nondefaulting Partner the amount of such Default Loan. Any interest paid on such Default Loan shall be paid directly to the Nondefaulting Partner and shall not affect either the Nondefaulting Partner's or the Defaulting Partner's Capital Account. Upon the payment in full of the principal of and all accrued interest on a Default Loan within such one hundred twenty (120) day period or pursuant to Sections 8.04(b) or 8.04(c) hereof, the Defaulting Partner's default, with respect to which a Default Loan was made, shall be deemed cured. The making of a Default Loan shall not be deemed to cure a default with respect to which a Default Loan has been made, and such cure may be made only in the manner set forth in the immediately preceding sentence or in Sections 8.04(b), 8.04(c) and 8.04(d) hereof. Any Default Loan made pursuant hereto shall be made to the Limited Partner, and guaranteed by the spouse of the Limited Partner pursuant to the Guarantee attached hereto, with full recourse to the assets of the Limited Partner and the spouse of the Limited Partner.

(b) If the Defaulting Partner fails to repay the Nondefaulting Partner with respect to any one or more Default Loans within the one hundred twenty (120) day period referred to in Section 8.04(a) hereof, the Nondefaulting Partner may, at any time after the expiration of such one hundred twenty (120) day period and before the repayment of such Default Loan or Default Loans by the Defaulting Partner (including a repayment pursuant to Section 8.04(c) hereof), elect, by one hundred twenty (120) days prior written notice (the "Conversion Notice") with respect to any one or more Default Loans to the Defaulting Partner, to increase the Nondefaulting Partner's Percentage Share and decrease the Defaulting Partner's Percentage Share as of the date of and immediately following the date thirty (30) days following the Conversion Notice. If a Defaulting Partner has not repaid the Default Loan or Default Loans specified in the Conversion Notice within said thirty (30) days, the Nondefaulting Partner may elect to increase its Percentage Share (but not to exceed One Hundred percent (100%)) to equal a percentage derived from a fraction the numerator of which equals the Adjusted Capital Contribution (as defined below) of the Nondefaulting Partner and the denominator of which equals the aggregate sum of both Partners' Capital Contributions. The Defaulting Partner's Percentage Share shall be correspondingly decreased so that it shall be equal to One Hundred percent (100%) minus the Nondefaulting Partner's Percentage Share as increased in accordance with the preceding sentence. "Adjusted Capital Contribution" shall mean the sum of all Capital Contributions, not including the Contribution representing the Default Loan, actually made by the Nondefaulting Partner as of the time of the recalculation plus an amount equal to One Hundred and Twenty

percent (120%) of the sum of all Default Loans which the Nondefaulting Partner has made to the Defaulting Partner with respect to which such adjustments were made. The parties acknowledge that in the event this remedy is exercised, additional Capital Contributions will be of critical value to the Partnership, and the parties further acknowledge that such value is not readily ascertainable as of the date hereof and a reasonable estimate of such value is achieved by the formula contained herein. Such formula for the "buy-down" reflects such estimate of the parties, and is not intended to be a penalty. Upon any such election, the Defaulting Partner's default, with respect to which the Default Loan or Default Loans specified in the Conversion Notice was made, shall be deemed cured, the Nondefaulting Partner's advance pursuant to 8.04(a) hereof with respect to which such Default Loan or Default Loans was made shall be added to the Nondefaulting Partner's Capital Account, and the amount of such advance shall be deducted from the Defaulting Partner's Capital Account. Upon such recalculations of the Partners' Percentage Shares and the corresponding adjustments of the Partners' respective Percentage Share, the default associated with the Default Loan with respect to which such adjustments were made shall be deemed cured, to the extent such Default Loan made by the Nondefaulting Partner, as of the date of such adjustments.

(c) Notwithstanding anything to the contrary contained in Section 8.04 (b) hereof, in the event that the Percentage Share is adjusted as set forth in Section 8.04(b) hereof, and the Defaulting Partner's Percentage Share, as readjusted, is equal to zero (0), then the General Partner shall have the right (but not the obligation), in its sole discretion, to either (i) admit to the Partnership as an additional limited partner of the Partnership a nominee of the General Partner, and to deem the Limited Partner to have transferred its entire interest in the Partnership to such nominee (instead of increasing the General Partner's Percentage Share by such amount), whereupon the Limited Partner will cease to be a limited partner of and to have any interest in the Partnership, or (ii) take all steps necessary to dissolve and wind up the affairs of the Partnership, and to cause all assets to be liquidated and the net proceeds therefrom to be distributed solely to the General Partner, with the Limited Partner having no right to receive any such Distribution. The General Partner is expressly authorized to make any filings or take any actions on behalf of the Limited Partner or the Partnership to effectuate the provisions of this Section 8.04(c).

(d) At any time when any Default Loan shall be outstanding, all distributions of cash pursuant to Article 4 or Article 12 hereof from and after the making of such Default Loan to which the Defaulting Partner would otherwise be entitled shall be paid to the Nondefaulting Partner to be applied first against interest and then against the principal of any Default Loans until the repayment in full of all accrued interest and principal of any Default Loans or an election or elections by the Nondefaulting Partner pursuant to Sections 8.04(b) or 8.04(c) hereof to increase the Nondefaulting Partner's Percentage Share with respect to all Default Loans which have not previously been repaid in full. Any such amounts so applied to accrued and unpaid interest and then to principal on a Default Loan shall be deducted from the Defaulting Partner's Capital Account. Upon request by the Nondefaulting Partner at any time from the date of the Nondefaulting Partner's advance pursuant to Section 8.04(a) hereof until any such Default Loan shall be repaid in full or converted to an increased in Percentage Share, the Defaulting Partner (or, if the Defaulting Partner should refuse to do so, the General Partner pursuant to the power of attorney granted herein) shall execute any and all documents reasonably requested by the Nondefaulting Partner, including, without limitation, notes, security agreements and UCC-1 financing statements which notes, security agreements and UCC-1 financing statements shall be in the form provided by the Nondefaulting Partner to the Defaulting Partner, as may be necessary to further assure and perfect a security interest in the Defaulting Partner's Partnership interest to secure the Nondefaulting Partner's Default Loan.

8.05 Appraisal Buy Out

(a) Except as otherwise provided in this Article 8, upon the occurrence of any Event of Default, the Nondefaulting Partner may give the

Defaulting Partner notice that it intends to exercise its right to buy the Defaulting Partner's Partnership interest pursuant to this Section 8.05. Upon such notice the fair market value of the assets of the Partnership shall be determined pursuant to Article 9 hereof. The Nondefaulting Partner shall have thirty (30) days from the earlier of the date on which the Partners agree upon a fair market value pursuant to Section 9.01 hereof or the date on which the Partners receive notice of the decision of the appraisers pursuant to Section 9.02 hereof (the "Valuation Date") in which to purchase the Defaulting Partner's partnership interest by payment, in cash, to the Defaulting Partner of an amount equal to the Appraisal Buyout Price, as determined pursuant to Section 8.05(b) hereof.

(b) The "Appraisal Buyout Price" shall be an amount equal to the amount derived from the following calculations: (i) first, ninety percent (90%) of the Appraised Value (as established pursuant to Section 9.03 hereof) of the assets of the Partnership shall be treated as hypothetical sales proceeds for distribution under Section 12.03 hereof, and the portions of such hypothetical sales proceeds which would be respectively distributed to each Partner pursuant to Section 12.03 hereof (assuming that all debts and liabilities of the Partnership to third parties shall be paid from such hypothetical sales proceeds and that any gain or loss realized upon such hypothetical sale shall have been allocated to the Partners' Capital Accounts) shall be calculated; and (ii) second, the portion so calculated of such hypothetical sales proceeds that the Defaulting Partner would receive, if any (including or less any amounts as are payable to a Partner in respect of Default Loans pursuant to Section 8.04(d) hereof), shall be the Appraisal Buyout Price.

(c) The closing of the Nondefaulting Partner's purchase of the Defaulting Partner's partnership interest shall occur at a place and time designated by the Nondefaulting Partner within thirty (30) days after the Valuation Date and shall be paid in cash in the amount of the Appraisal Buyout Price at the closing. At the closing of the purchase of a partnership interest pursuant to this Section 8.05(c), the Partnership and the buying Partner shall, and do hereby, save, protect, defend, indemnify and hold harmless the selling Partner from all debts and liabilities owed by the Partnership to third parties. The Partners understand and agree that under certain circumstances the Appraisal Buyout Price may be less than zero and require a reimbursement from the selling Partner to the buying Partner rather than a payment from the buying Partner to the selling Partner (as, for example, in the case where the selling Partner has a Capital Account with a negative balance).

(d) Costs of the transaction, including recording fees, escrow costs, if any, and other fees (but not attorneys' fees) shall be borne by the Defaulting Partner. The Defaulting Partner shall deliver all appropriate documents of transfer at the closing and shall convey its entire partnership interest to the Nondefaulting Partner, or the Nondefaulting Partner's nominee, free and clear of all liens, claims, encumbrances, or other charges of any kind whatsoever on its partnership interest. In the event the Partnership interest is transferred to a nominee of the Nondefaulting Partner, the admission of such nominee to the Partnership as a successor to the Defaulting Partner shall occur, and for all purposes shall be deemed to have occurred immediately prior to the transfer by the Defaulting Partner of its Partnership interest. From and after the closing, the Defaulting Partner shall have no further interest in the assets, profits or management of the Partnership and shall not be responsible for any of its obligations or losses except uninsured tort claims by third parties arising out of incidents which occurred prior to the closing, and all obligations of the Partnership to the Defaulting Partner, including all capital accounts, loans and advances, shall be satisfied and discharged.

8.06 Forbearance. Notwithstanding anything to the contrary contained in Articles 8 hereof, the General Partner agrees to forebear from exercising any remedies hereunder for failure of the Limited Partner to make any Capital Contributions pursuant to Section 3.01(c) hereof (other than the initial Capital Contribution of $6,480,000) until the date that is one hundred eighty (180) days after the opening of the Project for business. Nothing herein shall restrict the exercise of any remedies with respect to the initial Capital Contribution.

ARTICLE 9

VALUATION AND APPRAISAL PROCEDURE

9.01 Voluntary Appraisal. Upon an election under Section 8.05 hereof, the Partners shall promptly attempt, in good faith, to agree upon the fair market value of all or a part of the assets of the Partnership.

9.02 Appraisal Panel

(a) If the Partners cannot agree within fifteen (15) days following an election under Section 8.05 hereof by a Nondefaulting Partner upon the fair market value of some or all of the assets of the Partnership, either Partner shall have the right to call for an appraisal, and the electing Partner may give the other Partner written notice that it intends to exercise its right to call for an appraisal pursuant to this Section 9.02. Such notice shall designate those assets of the Partnership the value of which has not been agreed upon. The Partners shall thereupon attempt, in good faith, to agree upon a single appraiser to appraise the assets of the Partnership. If the Partners cannot agree upon a single appraiser within fifteen (15) days, either Partner may give the other Partner a written notice calling for appointment of an appraisal panel (the "Appraisal Panel"), and such notice shall designate a disinterested person who is familiar with gaming operations and recognized by those in the business of operating gaming facilities as one who could fairly and accurately evaluate a gaming operation (the "First Appraiser") selected by the electing Partner to serve on the Appraisal Panel provided for below.

(b) Upon receipt of such notice from the electing Partner, the other Partner shall have seven (7) days in which to designate a disinterested person who is familiar with gaming operations and recognized by those in the business of operating gaming facilities as one who could fairly and accurately evaluate a gaming operation (the "Second Appraiser") to serve on the Appraisal Panel by serving notice of such designation on the electing Partner. If the Second Appraiser is not so appointed and designated within or by the time so specified, then the First Appraiser shall be the sole appraiser to determine the value of the assets of the Partnership.

(c) Upon the designation, if any, of the Second Appraiser, the First Appraiser and the Second Appraiser shall themselves appoint a third disinterested person who is familiar with gaming operations and recognized by those in the business of operating gaming facilities as one who could fairly and accurately evaluate a gaming operation (the "Third Appraiser") within seven (7) days. If the First Appraiser and the Second Appraiser are unable to agree upon such appointment within said seven (7) days, then the electing Partner shall request such appointment by the president or executive committee of the Chapter of the American Institute of Real Estate Appraisers which includes the Property within its jurisdiction.

(d) In the event of failure, refusal or inability of any appraiser to act, a new appraiser shall be appointed in the stead thereof, which appointment shall be made in the same manner as provided in this Section 9.02 for the appointment of such appraiser so failing, refusing or being unable to act.

(e) The one or three appraisers appointed as the appraisal panel pursuant to Section 9.02 hereof (the "Appraisal Panel") shall each appraise the assets designated in the electing Partner's notice taking into account appropriate indicators of the fair market value of such assets in a cash sale between a willing buyer and seller not under undue duress and shall report their findings to the Partners in writing. In the case of a three appraiser Appraisal Panel, if one or more appraisers fail to deliver their reports within sixty (60) days after the appointment of the Third Appraiser, the electing Partner may dismiss the delinquent appraiser and a new appraiser may be appointed in accordance with Section 9.02(d) above.

9.03 Appraised Value. The "Appraised Value" of the assets to be appraised shall be equal to the mean of the two closest appraised values reported by the Appraisal Panel; provided that if such values are equally distributed, the "Appraised Value" of the assets to be appraised shall be equal to the mean of the three appraised values reported by the Appraisal Panel.

9.04 Expenses. Except as otherwise provided herein, each Partner shall pay the fees and expenses of the appraiser appointed by such Partner, or in whose stead, as above provided, such appraiser was appointed, and the fees and expenses of the third appraiser, and all other expenses, if any, shall be borne equally by both parties.

9.05 Qualification. To be qualified to be selected or designated as an appraiser for purposes of this Article 9, such appraiser must demonstrate (a) current good standing as a licensed appraiser, and (b) past appraising experience of at least five years, which experience shall include the appraisal of riverboat or casino gaming operations.

ARTICLE 10

ADMINISTRATION

10.01 Bank Accounts. All funds of the Partnership not otherwise invested shall be deposited as the General Partner shall determine, and withdrawals shall be made only on the signature of the General Partner or such other person or persons as the General Partner may from time to time designate.

10.02 Title to Partnership Property. Title to the Property shall be held either in the name of the Partnership, or in the name of any bank or trust company authorized to accept land trusts under the laws of the State of Illinois, or as the General Partner may from time to time determine.

10.03 Books and Records. The books and records of the Partnership shall be maintained at the principal office of the Partnership and shall be available for examination there by any Partner, or its duly authorized representatives, at any and all reasonable times during regular business hours. The Partnership shall maintain such books and records and provide such financial or other statements as the General Partner in its sole discretion deems advisable. Such financial statements may be prepared with or without audit in the sole discretion of the General Partner. A current list of the full name and last known address of each Partner, a copy of the Partnership's Certificate of Limited Partnership and all amendments thereto and executed copies of all powers of attorney pursuant to which such Certificate or any certificate of amendment has been executed, copies of the Partnership's federal, state and local income tax returns and reports, if any, for the three most recent years after the date hereof, and copies of this Agreement, any amendments thereto, and of any financial statements of the Partnership for the three most recent years after the date hereof, and the Partnership's books, shall be maintained at the principal office of the Partnership.

10.04 Notices. The address of each of the parties shall for all purposes be as set forth below unless otherwise changed by the applicable party by notice to the other as provided herein.

General Partner:

Harrah's Illinois Corporation
c/o The Promus Companies Incorporated
1023 Cherry Road
Memphis, Tennessee 38117
Phone: (901) 762-8724
Fax: (901) 762-8777

Attn: Corporate Secretary

with a copy to:

The Promus Companies Incorporated
1023 Cherry Road
Memphis, Tennessee 38117
Phone: (901) 762-8724
Fax: (901) 762-8777

Attn: Stephen H. Brammell

The Limited Partner:

John Q. Hammons
300 John Q. Hammons Parkway
Suite 900
Springfield, Missouri 65806
Phone:_____
Fax:_____

with a copy to:

William J. Hart
Farrington & Curtis
750 North Jefferson
Springfield, Missouri 65802
Phone: (417) 862-6726
Fax: (417) 862-6948

All notices or other communications required or permitted to be given pursuant to the provisions of this Agreement shall be in writing and shall be considered as properly given if mailed by first class United States mail, postage prepaid, registered or certified with return receipt requested, or by overnight courier service, or by telecopier or facsimile, or by delivering the same in person to the intended addressee, or by prepaid telegram. Notices hereunder in any manner shall be effective only if and when received by the addressee.

10.05 Meetings. The General Partner may but shall not be obligated to call meetings of the Partnership from time to time, for the purpose of having a vote by the Partners, or for any other purpose which the General Partner deems appropriate. The Limited Partner may but shall not be obligated to call meetings of the Partnership for the purposes set forth in Section 6.08(d) hereof. Such meetings shall be called by notice duly given to each of the Partners not less than five (5) days prior to the date of such meeting, or by telephone or telegram communication, confirmed afterwards in writing. The meetings shall be at the principal office of the Partnership, or at such other place as is designated in writing by the General Partner and shall be at the specific time designated in such notice.

10.06 Amendment. Amendments may be made to this Agreement from time to time by the General Partner without the consent of the Limited Partner; provided, however, that without the consent of the Limited Partner, this Agreement may not be amended so as to (a) convert the Limited Partner's interest into a General Partner's interest; (b) modify the limited liability of the Limited Partner; (c) limit the rights of the Limited Partner hereunder; (d) modify the allocation of taxable income and tax losses or the distribution provisions contained herein so as adversely to affect the Limited Partner; or (e) modify the capital account provisions contained herein so as adversely to affect the Limited Partner.

ARTICLE 11

FISCAL MATTERS

11.01 Fiscal Year. The fiscal year of the Partnership shall be the calendar year, or such other period as may be determined by the General Partner, as permitted by the Code.

11.02 Method of Accounting. The General Partner, in its sole discretion, may cause the Partnership to make or revoke the election regarding cash or accrual method tax treatment referred to in Section 446 of the Code or any similar provision enacted in lieu thereof. The expense of preparing the Partnership's annual Federal and Illinois tax returns shall be borne by the Partnership.

11.03 Accountants and Accounting Principles. The General Partner shall keep, or cause to be kept, full and accurate books and records of all transactions of the Partnership, which books and records shall be maintained in accordance with generally accepted accounting principles. If the General Partner elects to have the financial statements prepared with an audit, the records and books of account shall be audited by a certified public accountant selected by the General Partner as of the end of each fiscal year of the Partnership and at any other time that the General Partner may deem it necessary or desirable.

11.04 Reports. As soon as practicable after the end of each fiscal quarter of the Partnership, the General Partner shall deliver to each Partner quarterly financial reports of the Partnership. As soon as practicable after the end of each fiscal year of the Partnership, the General Partner shall deliver to each Partner such information as is necessary for the preparation by such Partner of its federal and state or other income tax returns, and such other information as in the judgment of the General Partner shall be reasonably necessary for the Partners to be advised of the results of the operations of the Partnership. All elections and options available to the Partnership for federal or state income tax purposes shall be taken or rejected by the Partnership in the sole discretion of the General Partner.

11.05 Tax Returns; Tax Matters Partner. The General Partner shall prepare, or cause to be prepared, income tax returns for the Partnership and, in connection therewith, make any available or necessary elections, including elections with respect to the rates of depreciation of such assets. The General Partner shall be the "tax matters partner" for purposes of Code Sections 6221 through 6232 and the Treasury Regulations promulgated thereunder. The General Partner shall use its best efforts to prepare, or cause to be prepared, the Partnership's income tax return for any fiscal year on or before April 1 of the succeeding calendar year. The Limited Partner shall furnish to the General Partner a copy of the Limited Partner's federal and state tax returns each year concurrently with its filing of such tax returns.

11.06 Basis Election. Upon the transfer of an interest in the Partnership, or a distribution of its property, the General Partner, on behalf of the Partnership, may, in its sole discretion, elect to adjust the basis of the partnership assets as allowed by Code Sections 734(b) and 743(b) or any successors to said Sections. Except insofar as such an election pursuant to the aforesaid Sections has been made with respect to the interest of any Partner, the determination of taxable income, tax loss, or Cash Flow shall be made as provided for in this Agreement. Each Partner agrees to furnish the Partnership with all information necessary to give effect to such election.

11.07 Partnership Expenses. The Partnership shall pay or reimburse the General Partner for all expenses (which expenses may be billed directly to the Partnership) of the Partnership which may include, but are not limited to: (a) all costs of personnel employed by the Partnership and involved in the business of the Partnership; (b) all costs of borrowed money, taxes and assessments on the Property and other taxes applicable to the Partnership; (c) legal, audit,

accounting, brokerage and other fees; (d) printing and other expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and recording of documents evidencing ownership of an interest in the Partnership or in connection with the business of the Partnership; (e) fees and expenses paid to independent contractors, mortgage bankers, brokers and servicers, leasing agents, consultants, on-site managers, real estate brokers, insurance brokers and other agents; (f) expenses in connection with the disposition, replacement, alteration, repair, remodeling, refurbishment, leasing, refinancing and operation of the Property or other Partnership assets (including the costs and expenses of foreclosures, insurance premiums, real estate brokerage and leasing commissions, and maintenance); (g) the cost of insurance as required in connection with the business of the Partnership; (h) expenses of organizing, revising, amending, converting, modifying or terminating the Partnership; (i) expenses in connection with distributions made by the Partnership to, and communications and bookkeeping and clerical work necessary in maintaining relations with, the Partners, including the cost of printing and mailing to such persons various notices or other communications; (j) expenses in connection with preparing and mailing reports required to be furnished to the Partners for investor, tax reporting or other purposes, or which reports the General Partner deems the furnishing thereof to be in the best interests of the Partnership; (k) costs of any accounting, statistical or bookkeeping equipment necessary for the maintenance of the books and records of the Partnership, (l) the cost of preparation and dissemination of the information, material and documentation relating to a potential sale, refinancing or other disposition of the Property or other Partnership assets, (m) the cost of any appraisals of the Property as may be required by, financings, General Partner's internal procedures or any regulatory reporting requirements on an annual or special basis, and (n) any letter of credit fees or expenses incurred by the General Partner or its Affiliates in connection with development of the Property.

11.08 Change in Control. If (i) the majority of the outstanding stock of the General Partner shall cease to be owned directly or indirectly by Harrah's or The Promus Companies Incorporated, and (ii) within ninety (90) days after the close of such transaction there is a change in the majority of the directors on the board of the General Partner, then the Limited Partner shall have the right to exercise the "Buy and Sell" remedy in accordance with Section 8.03 hereof by written notice within thirty (30) days from the date of notice to the Limited Partner of the transfer of the majority of the outstanding stock of the General Partner or the Promus Companies Incorporated and change in the majority of the directors of the General Partner; provided, however, that if the Limited Partner fails to deliver such written notice to the General Partner within such thirty (30) day period, the Limited Partner shall be deemed to have consented to such transfer or change.

ARTICLE 12

TERMINATION

12.01 Events of Dissolution. The Partnership shall be dissolved on the earliest to occur of:

(a) the expiration of the term of the Partnership;

(b) the passage of thirty (30) days after the conversion to cash or its equivalent, sale or other disposition of all of the Partnership assets;

(c) the election by the General Partner to dissolve the Partnership, notice of which is given to the Limited Partner;

(d) the withdrawal or removal of the General Partner, or the filing of a certificate of dissolution or its equivalent, for the General Partner, or the revocation of its charter and the expiration of ninety (90) days after the date of notice to the General Partner of revocation without a reinstatement of its charter, unless (i) at the time of occurrence of such event

there is at least one other general partner who is hereby authorized to and agrees to continue the business of the Partnership without dissolution, or (ii) within ninety (90) days after the occurrence of such event, all Partners agree in writing to continue the business of the Partnership and to the appointment, effective as of the date of such event, of one or more additional general partners of the Partnership; or

(e) any other event requiring the dissolution of the Partnership under the laws of the State of Delaware.

12.02 Winding Up

(a) Upon the dissolution of the Partnership pursuant to Section 12.01 hereof, the Partnership business shall be wound up and its assets liquidated by the Liquidator, as defined herein, as provided in this Section 12.02, and the net proceeds of such liquidation shall be distributed in accordance with Section 12.03 hereof. The "Liquidator," as used herein shall mean the General Partner, or, if there is none at the time in question, such other person who may be appointed by the Partners (or in accordance with applicable law if the Partners fail to make such appointment). The Liquidator shall be responsible for taking all action necessary or appropriate to wind up the affairs and distribute the assets of the Partnership upon its dissolution.

(b) The Liquidator shall file all certificates and notices of the dissolution of the Partnership required by law. The Liquidator shall proceed without any unnecessary delay to sell and otherwise liquidate the Partnership's assets; provided, however, that if the Liquidator shall determine that an immediate sale of part or all of the Partnership assets would cause undue loss to the Partners, then, in order to avoid such loss, the Liquidator may defer the liquidation, to the extent permitted by law.

12.03 Distribution on Dissolution and Termination

(a) Upon dissolution of the Partnership, the net proceeds of such liquidation shall be applied and distributed in the following order of priority; provided that the higher level(s) of priority have been fully satisfied and provided, further that if the Capital Account of any Partner shall have a negative balance after giving effect to the allocation of tax items, such Partner shall pay to the Partnership the amount of such negative balance not later than ten (10) days from the date of written notice to such effect:

(i) first, to the payment of debts and liabilities of the Partnership to third parties (including any loans or advances that may have been made by any of the Partners to the Partnership) and the expenses of liquidation, and to the setting up of any reserves which may be deemed reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership. Such reserves shall be paid over to an escrowee designated by the Liquidator to be held for the purpose of disbursing such reserves in payment of any of the aforementioned contingencies and, at the expiration of such period as shall be deemed advisable, to distribute the balance hereafter remaining in the manner provided in this Section 12.03;

(ii) second, according to the order of priority set forth in Section 4.04 (a) through (c) hereof; provided, however, that all Capital Account balances shall be determined after taking into account all Capital Account adjustments for the Partnership taxable year during which such liquidation occurs; and

(iii) thereafter, to the Partners in respect of the balances, if any, remaining in their Capital Accounts.

(b) If there is not a pro rata distribution of each asset, asset distributions in kind shall be appraised by appraisers retained by the Liquidator, if necessary, so that each Partner receives his pro rata share of net Partnership assets as appraised. It shall not be a requirement that each

Partner receive a pro rata share of each asset available for distribution to the Partners on dissolution. In the event valuation of the assets of the Partnership cannot be agreed upon, such assets shall be valued at their fair market value as determined by appraisers retained by the Liquidator. The Liquidator may retain such appraisers and other consultants as may be necessary and advisable, all at the expense of the Partnership, in connection with the wind-up of the Partnership affairs. No Partner shall have any right to demand or receive property other than cash upon dissolution and termination of the Partnership.

(c) A reasonable time shall be allowed for the orderly liquidation of the assets of the Partnership and the discharge of liabilities as to creditors.

(d) Within ninety (90) days after the complete liquidation of the Partnership, the Liquidator shall furnish to each of the Partners a financial statement for the period from the first day of the then current fiscal year through the date of such complete liquidation certified by the Partnership's certified public accountant. Such statement shall include a Partnership statement of operation for such period and a Partnership balance sheet as to the date of such complete liquidation.

(e) Each Partner shall look solely to the assets of the Partnership for all distributions with respect to the Partnership and its Capital Contribution thereto and share of profits and losses thereof, and shall have no recourse therefor (upon dissolution or otherwise) against the General Partner or the Liquidator. It is expressly understood and agreed that the General Partner shall not be personally liable for the return or repayment of all or any portion of the capital of any Partner.

ARTICLE 13

MISCELLANEOUS

13.01 Governing Law. This Agreement and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware.

13.02 Successors and Assigns. Any person acquiring or claiming an interest in the Partnership, in any manner whatsoever, shall be subject to and bound by all terms, conditions and obligations of this Agreement to which its or his predecessor in interest was subject or bound, without regard to whether such a person has executed a counterpart hereof or any other document contemplated hereby. No person, including the legal representative, heir or legatee of a deceased Partner, shall have any rights or obligations greater than those set forth in this Agreement and no person shall acquire an interest in the Partnership or become a Partner hereof except as permitted by the terms of this Agreement. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their successors, assigns, heirs, legal representatives, executors and administrators.

13.03 Grammatical Changes. Whenever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in either the masculine, the feminine or the neuter gender shall include the masculine, feminine and neuter gender as the circumstances require.

13.04 Captions. Captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provision hereof.

13.05 Severability. If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this Agreement, or the application of such provision

to persons or circumstances other than those to which it is held invalid, shall not be affected thereby; provided that the parties shall attempt to reformulate such invalid provision to give effect to such portions thereof as may be valid without defeating the intent of such provision; and further provided that this Section 13.05 shall not apply to change the status of any Limited Partner to a General Partner, or to alter the classification of the Partnership as a partnership under the Code.

13.06 Counterparts. This Agreement, or any amendment hereto may be executed in multiple counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument, notwithstanding that all of the Partners are not signatories to the original or the same counterpart. In addition, this Agreement, or any amendment hereto, may contain more than one counterpart of the signature pages, and this Agreement, or any amendment hereto, may be executed by the affixing of the signatures of each of the Partners to one of such counterpart signature pages; all of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

13.07 Other Matters. Matters not covered in this Agreement relating to limited partnerships shall be governed and controlled by the Act.

13.08 Private Litigation

(a) In the event the Partnership is made a party to any litigation, or otherwise incurs any losses or expenses as a result of or in connection with any Partner's personal obligations or liabilities unconnected with Partnership business, such Partner shall reimburse the Partnership for all such expenses incurred (including attorneys' fees and court costs), and the interest of such Partner in this Partnership may be charged thereof.

(b) If either the General Partner or the Limited Partner brings any judicial action or proceeding to enforce its rights under this Agreement, the prevailing party shall be entitled, in addition to any other remedy, to recover from the other, regardless of whether such action or proceeding is prosecuted to judgment, all costs and expenses, including without limitation reasonable attorneys' fees, incurred therein by the prevailing party.

13.09 Waiver of Right to Court Decree of Dissolution and Partition. The Partners agree that irreparable damage would be done to the good will and reputation of the Partnership if any Partner should bring an action in court to dissolve this Partnership. To the extent permitted by law, each Partner hereby waives and renounces its right to seek a court decree of dissolution or to seek the appointment by a court of a liquidator for the Partnership. The Partners further agree that the Property is not and will not be suitable for partition and, accordingly, to the fullest extent permitted by applicable law, each of the Partners hereby irrevocably waives any and all rights which it may have to maintain an action for partition of the Property, or any portion thereof, or to otherwise divide (whether through an action in equity or through some other means) the beneficial interest in any nominee holding title thereto.

13.10 Competing Business. The Partners agree as follows:

(a) Any Partner may engage and possess an interest in any other business venture of any nature, kind of description, including, without limiting the generality of the foregoing, any business venture engaged in the same type of business as the Partnership, even if such other business is competitive with that of the Partnership, and the ownership, financing and management of casino and other gaming operations of any kind whatsoever. Further, the Partners agree that except as otherwise agreed in writing by the Partners:

(i) Neither the Partnership nor any of its Partners shall have the right in and to such other business venture or the income or profits derived therefrom.

(ii) No Partner need disclose to any other Partner or the

Partnership any other business venture in which he may have an interest or any other business opportunity presented to him, even if such opportunity is of a character which, if presented to the Partnership, could be taken by the Partnership, and the General Partner shall have the right to take for its own account or to recommend to others any such particular investment opportunity or business venture.

(iii) As a natural part of the consideration for the execution of this Agreement by the General Partner, the Limited Partner hereby waives, relinquishes and renounces any right or claim of participation in another business venture of the General Partner.

(b) Notwithstanding the foregoing, in no event shall any Partner or any Affiliate of such Partner engage in any business venture to the extent same is prohibited under any agreement to which the Partnership is a party, or by which any of its property or assets are bound.

13.11 Personal Property. This Agreement shall not be deemed to create in any Partner any right, title, interest or lien in, to or on all or any portion of the Property, it being understood that any right or interest of any Partner created by this Agreement shall solely be an interest in the Partnership and shall be personal property.

13.12 No Third Party Rights. This Agreement is for the sole and exclusive benefit of the Partners designated herein and the Partnership and no other person or entity (including any creditors of the Partnership or the Partners) shall under any circumstances be deemed to be a beneficiary of any of the rights, remedies, terms and provisions of this Agreement.

13.13 Consent of Bank Group. The effectiveness of this Agreement is expressly conditioned upon and shall not be effective until receipt of the approval by certain lenders to The Promus Companies Incorporated (the indirect parent of the General Partner) of investments of the type contemplated by this Agreement on or before April 15, 1992. Upon obtaining such notice, the General Partner shall promptly give written notice of such approval to the Limited Partner and the giving of such notice shall be conclusive evidence of satisfaction of the condition contained in this Section 13.13. If such approval is not obtained prior to such date, this Agreement shall be void and of no further force or effect. The General Partner shall give written notice to the Limited Partner if such approval is not obtained prior to such date, and such notice shall be conclusive evidence that this Agreement is void and of no force or effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

GENERAL PARTNER:

HARRAH'S ILLINOIS CORPORATION,
a Delaware corporation

By: /s/ Philip G. Satre

Name: Philip G. Satre

Title: President

LIMITED PARTNER:

/s/ John Q. Hammons

John Q. Hammons, an individual

Guarantee

Mrs. Juanita Hammons (the "Guarantor") joins in this Agreement for the purpose of guarantying the Limited Partner's obligations hereunder and hereby unconditionally guarantees any and all obligations of the Limited Partner under this Agreement, including and without limitation, the repayment by the Limited Partner of the Initial Capital Loan and any Default Loans (the "Guaranteed Obligations"). Except as specifically set forth above, the Guarantor shall have no obligation or liability under this Agreement.

The Guaranteed Obligations may be extended or renewed and the Guarantor will be bound under this guarantee notwithstanding any extension, renewal, or alteration of the Guaranteed Obligations. The Guarantor hereby waives presentation of, demand of, and protest of the Guaranteed Obligations and waives notice of protest for nonpayment. This guarantee shall not be affected by:

(a) the failure of any party to assert any claim or demand or to enforce any right or remedy against the Limited Partner under this Agreement,

(b) any extension or renewal of any provision thereof, or

(c) any rescission, waiver, amendment or modification of any of the terms or provisions of this Agreement.

The Guarantor further agrees that this guarantee constitutes a guarantee of payment when due and not of collection and waives any right to require that any resort be had by any party to any of the security held for payment of any of the Guaranteed Obligations or to any balance of any deposit account or credit on the books of any party in favor of any person.

The obligations of the Guarantor shall not be subject to any reduction, limitation, impairment or termination for any reason, including, without limitation, any claim of waiver, release, surrender, alteration or compromise of any of the Guaranteed Obligations, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of any of the Guaranteed Obligations, discharge of the Limited Partner from obligations in a bankruptcy or similar proceeding or otherwise. Without limiting the generality of the foregoing, the obligations of the Guarantor shall not be discharged or impaired or otherwise affected by its failure to assert any claim or demand or to enforce any remedy under this Agreement, by any waiver or modification of any thereof, by any default, failure or delay, willful or otherwise, in the performance of any of the Guaranteed Obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of the Guarantor or which would otherwise operate as a discharge of the Guarantor as a matter of law or equity.

The Guarantor further agrees that this guarantee shall continue to be effective or to be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any Guaranteed Obligation is rescinded or must otherwise be restored by any party upon the bankruptcy or reorganization of the Limited Partner or otherwise.

Upon payment by the Guarantor of any sum as provided above so long as any of the Guaranteed Obligations shall remain outstanding hereunder, all rights of the Guarantor against the Limited Partner arising as a result thereof by way of right of subrogation or otherwise, shall in all respects be subordinated and junior in right of payment to the prior indefeasible payment in full of all the Guaranteed Obligations.

The Guarantor hereby waives and relinquishes all rights and remedies accorded by applicable law to sureties or guarantors and agrees not to assert or take advantage of any such rights or remedies, including without limitation (a) any right to require the General Partner to proceed against or exhaust its recourse

against the Limited Partner or any security or collateral held by the Limited Partner or to pursue any other remedy in its power before being entitled to payment from the Limited Partner; (b) any defense that may arise by reason of (i) the incapacity, lack of authority, death or disability of the Guarantor, (ii) the revocation or repudiation hereof or the revocation or repudiation of the Partnership Agreement unless caused by a Partner other than the Limited Partner, (iii) the failure of the General Partner to file or enforce a claim against the estate (either in administration, bankruptcy or any other proceeding) of the Limited Partner, (iv) the unenforceability in whole or in part of the Partnership Agreement or any other instrument, document or agreement referred to herein unless caused by a Partner other than Limited Partner, (v) the General Partner's election, in any proceeding instituted under the federal Bankruptcy Code, of the application of Section 1111(b)(2) of the federal Bankruptcy Code, or (vi) any borrowing or grant of a security interest under Section 364 of the federal Bankruptcy Code; (c) presentment, demand for payment, protest, notice of discharge, notice of acceptance of this Agreement, and indulgences and notices of any other kind whatsoever; (d) any defense based upon an election of remedies (including, if available, an election to proceed by non-judicial foreclosure) by the General Partner which destroys or otherwise impairs the subrogation rights of the Guarantor to proceed against the Limited Partner for reimbursement; (e) any defense based upon any taking, modification or release of any collateral or guarantees for any indebtedness of the Limited Partner to the General Partner, or any failure to perfect any security interest in, or the taking of or failure to take any other action with respect to any collateral; or (f) any rights or defenses based upon an offset by the Guarantor against any obligation now or hereafter owed to the Guarantor by the Limited Partner; it being the intention hereof that Guarantor shall remain liable as principal, to the extent set forth herein, until the full payment of the Guaranteed Obligations notwithstanding any act, omission or thing which might otherwise operate as a legal or equitable discharge of Guarantor.

The Guarantor hereby represents and warrants as follows: (i) the Guarantor has the capacity and legal right to execute, deliver, and perform this Agreement, (ii) this Agreement and all other documents required to be executed and delivered hereunder, when executed and delivered, will constitute legal, valid and binding obligations of the Guarantor enforceable against the Guarantor in accordance with their terms, (iii) neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will, with or without notice and/or lapse of time: constitute a breach of any of the terms and provisions of, or constitute a default under, any note, contract, document, instrument, agreement or undertaking, whether written or oral, to which the Guarantor is a party or to which the Guarantor's property is subject; accelerate or constitute an event entitling the holder of any indebtedness of the Guarantor to accelerate the maturity of any such indebtedness; conflict with or result in a breach of any writ, order, injunction or decree against the Guarantor any court or governmental agency or instrumentality, whether national, state, local or other; or conflict with or be prohibited by any federal, state, local or other governmental law, statute, rule or regulation.

The General Partner may maintain successive actions for other defaults. The rights of the General Partner hereunder shall not be exhausted by its exercise of any of its rights or remedies or by any such action or by any number of successive actions so long as this Agreement is in force and effect.

No delay or omission by the General Partner to exercise any right under this guarantee shall impair any such right, nor shall it be construed to be a waiver thereof. No amendment, modification, termination or waiver of any provision of any guarantee, or consent to any departure by the Guarantor therefrom, shall in any event be effective without the written concurrence of the General Partner. No waiver of any single breach of default under this guarantee shall be deemed a waiver of any other breach or default.

Guarantor agrees that any proceeding to enforce, or otherwise relating to or arising from, this Agreement may be brought in federal court located in the State of Illinois if such court has jurisdiction, or if no such jurisdiction exists, then state court in the State of Illinois, each as the General Partner

may elect. By executing this Agreement, Guarantor irrevocably accepts and submits to the nonexclusive personal jurisdiction of each of the aforesaid courts, generally and unconditionally with respect to any such proceeding. Guarantor agrees not to assert any basis for transferring jurisdiction of any such proceeding to another court. Guarantor further agrees that a final judgment no longer subject to appeal against Guarantor in any proceeding shall be conclusive evidence of Guarantor's liability for the full amount of such judgment.

/s/ Mrs. Juanita Hammons

Mrs. Juanita Hammons
GUARANTOR

EXHIBIT A

Capital Contributions and Percentage Share

General Partner

Initial Percentage Share - 80%

Initial Capital Contribution $25,920,000

Limited Partner

Initial Percentage Share - 20%

Initial Capital Contribution $ 6,480,000

EXHIBIT B

Legal Description of Property

(See Article 1, "Property")

[Diagram of property]

EXHIBIT C

Term Sheet for Management Agreement

JOLIET MANAGEMENT AGREEMENT
SUMMARY OF TERMS

1.	Terms and Renewals		
	(a)	Initial Term:	20
	(b)	Renewals:	3 ten-year terms
2.	Development of the boat and ancillary shoreside facilities		
	(a)	Party responsible:	Owner constructs and furnishes boat and ancillary shoreside facilities
	(b)	Plans and Specifications:	Prepared on Owner's behalf, subject to Manager's approval of design/layout No material changes of design/layout allowed without Manager's approval
	(c)	Deadline for completion:	If boat and facilities are not operational by April 1, 1993 (unless extended by Manager), Manager may terminate Management Agreement
3.	Pre-Opening		
	(a)	Budget:	Agreed by Owner and Manager 120 days prior to opening. Budget line items may be exceeded by 10% for reasonable unanticipated expenditures. Budget may be exceeded to cover additional expenses caused by construction delays
	(b)	Programs	Agreed by Owner and Manager 90 days after execution of Management Agreement (will include, among other things, recruiting and training of staff and advertisement and marketing)
	(c)	Payment of Expenses:	Owner deposits funds into accounts established in Owner's name by Manager; payment is made by Manager
4.	Operations		
	(a)	Manager control:	Manager determines operating policies and standards, including guest admittance, gaming policies, labor policies, food and beverage policies, credit policies, etc.
	(b)	Contractual Authority:	Manager has authority to lease space in the boat and shoreside facilities in Owner's name (restaurant, gift shop, other retail space),

		supervise such lessees and their operations and enforce the agreements with such lessees until any court action is required, and lease equipment in the Owner's Name
(c)	Permits:	Manager obtains and maintains all licenses and permits at Owner's expense
(d)	Personnel:	Manager employs on-site personnel
		Manager hires, supervises and discharges all personnel
		Owner responsible for all salaries and expenses of on-site personnel and all expenses of other Manager employees who perform services for operation
(e)	Marketing:	Manager responsible for all marketing decisions and expenditures at Owner's expense, subject to annual budget
(f)	Maintenance:	Manager responsible for all maintenance of the boat and other facilities at Owner's expense, subject to annual budget
(g)	Capital Replacements:	Annual capital reserve of 3.5% of gross revenues
		Owner responsible for designing and implementing capital replacements of a structural or extraordinary nature, subject to Manager's approval
		Manager responsible for designing and implementing, at Owner's expense, capital replacements of a non-structural or ordinary nature, subject to the annual budget (except in the case of expenditures occasioned by emergencies or legal requirements)
5. Accounting matters		
(a)	Books/records:	Manager maintains
(b)	Auditors:	To be agreed by Owner and Manager
(c)	Statements:	Manager delivers quarterly and annual profit and loss statements to Owner
6. Budget		Manager submits proposed budget to Owner for approval at least 60 days prior to opening and 60 days prior to each fiscal year thereafter
		Any budget disputes submitted to arbitration
		Manager may reallocate budgeted items within departments

			Manager may exceed budget (within limits to be agreed on) for unexpected expenditures
7.	Bank Accounts		Manager establishes bank accounts in name of Owner with Manager entitled to withdraw funds Minimum cash reserve (funded by Owner) to be agreed by Owner and Manager
8.	Management Fee (includes license fee; use of separate license arrangement to be determined)		6% of gross revenue

9. Priority of Funds Disbursement

Manager disburses funds from bank account monthly in the following order of priority:

(a) Operating costs (including management fee and Manager's reimbursable expenses)

(b) Replenishment of bank account or capital reserve fund for payment of emergency expenditures

(c) Deposits into the bank accounts to maintain minimum cash reserve

(d) Deposits into the capital reserve fund

(e) Payment of debt service

(f) Payment to Owner

10. Insurance

Owner obtains and maintains customary liability, priority and other insurance

11. Indemnification

(a)	To Manager:	Owner indemnifies Manager against all claims pertaining to ownership, management or use of boat and shoreside facilities unless caused by Manager's gross negligence or willful misconduct
(b)	To Owner:	Manager indemnifies Owner against all claims pertaining to management or use of boat and shoreside facilities caused by Manager's gross negligence or willful misconduct

12. Termination Rights

(a)	For cause:	Either party may terminate in the case of customary events of default, including uncured breach under Management Agreement, bankruptcy and insolvency
(b)	Termination fees/	Management fees for previous 3

	liquidated damages	years (including termination as a result of casualty, default of Owner and certain other circumstances)
13. Governing Law		Illinois
14. Assignment/Mortgage		
(a)	By Manager:	Manager may assign to affiliate, entity that acquires substantially all of Joliet riverboat gaming business, or as part of corporate reorganization or recapitalization Manager may assign management fees in connection with any financing
(b)	By Owner:	Owner may not sell boat or shoreside facilities without Manager's consent Owner may mortgage the boat and shoreside facilities if the financing meets coverage and other financial tests acceptable to Manager Owner will be required to dispose of interests in the boat and shoreside facilities to the extent their ownership jeopardizes any Harrah's gaming license
15. Boat Operation		Owner appoints boat operator subject to Manager's consent If boat is operated in manner which interferes with Manager's ability to conduct successful operations, Manager may appoint new boat operator, subject to Owner's approval; if Owner refuses to approve Manager's appointment, Manager may terminate Management Agreement and collect termination fee

FIRST AMENDMENT TO LIMITED PARTNERSHIP AGREEMENT OF DES PLAINES DEVELOPMENT LIMITED PARTNERSHIP

This First Amendment (this "Amendment") to Limited Partnership Agreement of Des Plaines Development Limited Partnership is made as of this 5th day of October, 1992 by and between Harrah's Illinois Corporation, a Nevada corporation, and John Q. Hammons, an individual.

Recitals

A. The parties hereto are parties to that certain Limited Partnership Agreement of Des Plaines Development Limited Partnership, dated as of February 28, 1992 (as amended hereby, the "Partnership Agreement"). Capitalized terms used herein and not defined herein shall have the meaning given to them in the Partnership Agreement.

B. The Partnership Agreement provides for the General Partner to loan to the Limited Partner the Limited Partner's initial Capital Contribution, and the parties hereto desire that any amounts so advanced by the General Partner shall be repaid, and such loan shall no longer be available to the Limited Partner upon such repayment. After such repayment, the Limited Partner shall make contributions to the Partnership pursuant to Section 3.01 of the Partnership Agreement, as amended hereby.

C. The parties hereto desire to enter into certain other agreements with respect to the Partnership, and to amend certain provisions of the Partnership Agreement, all as more fully set forth herein.

Agreement

NOW, THEREFORE, in consideration of the mutual agreements of the parties hereto and subject to the terms and conditions hereof, the parties hereto agree as follows:

1. Repayment of Initial Capital Loan. The Limited Partner agrees to repay all outstanding principal and accrued interest of the Initial Capital Loan, in immediately available funds, on or before October 13, 1992. The failure to make such payment shall constitute an Event of Default. Upon such payment, the promissory note evidencing the Initial Capital Loan shall be returned to the Limited Partner, the Security Agreement securing the Initial Capital Loan shall be of no further force or effect, and the General Partner shall deliver to the Limited Partner appropriate UCC termination statements terminating the UCC financing statements on file with respect to the Initial Capital Loan.

2. Termination of Initial Capital Loan Availability. Effective upon the repayment of the Initial Capital Loan required by paragraph 1 hereof, the Partnership Agreement shall be amended as follows:

   a. The following definitions are hereby deleted from Article I of the Partnership Agreement: (i) "Initial Capital Loan," and (ii) "Initial Capital Loan Documents."

   b. Section 3.01(d) of the Partnership Agreement is hereby deleted in its entirety, and subsections (e), (f) and (g) shall be relettered (d), (e) and (f), respectively.

   c. Item (f) in Article VII of the Partnership Agreement is hereby deleted in its entirety, and item (g) is hereby relettered as (f).

3. Amendment to Section 3.01(c). Section 3.01(c) of the Partnership Agreement is hereby deleted in its entirety, and the following is hereby

substituted therefor:

(c) Calls for Contributions. The General Partner may at any time
or from time to time call for Capital Contributions, including initial Capital Contributions, from the Partners by not less than seven (7) business days written notice to the Partners. The Partners shall make such Capital Contributions to the Partnership on or before the date specified in any such notice from the General Partner.

4. Amendment to Buy-Down Remedy. Sections 8.04(a) and (b) of the Partnership Agreement are hereby deleted in their entirety, and the following is hereby substituted therefor:

(a) If the Defaulting Partner shall have failed to make any Capital Contribution or to pay any other amount as required under this Agreement prior to the opening of the Project for business, the Nondefaulting Partner may advance to the Partnership on behalf of the Defaulting Partner the amount of such delinquency (a "Default Contribution"). If the Defaulting Partner shall have failed to make any Capital Contribution or to pay any other amount as required under this Agreement after the opening of the Project for business, the Nondefaulting Partner may advance to the Partnership on behalf of the Defaulting Partner the amount of such delinquency, with each such advance to be treated as a loan by the Nondefaulting Partner to the Defaulting Partner (a "Default Loan"). Each separate advance by a Nondefaulting Partner shall be a separate Default Contribution or Default Loan, as the case may be. The amount of any Default Loan shall be credited to the Defaulting Partner's Capital Account.

Each Default Loan shall be (i) secured by the Defaulting Partner's interest in the Partnership, (ii) payable on demand, and (iii) bear interest, payable monthly, at a rate equal to the lower of (x) the then Prime Rate plus three percent (3%) or (y) the maximum rate permitted under applicable law, from the date of such Default Loan to the earlier of the date of payment in full by the Defaulting Partner or the date of the Nondefaulting Partner's exercise of its rights pursuant to Sections 8.04(b) or 8.04(c) hereof. The Defaulting Partner hereby grants the Nondefaulting Partner a security interest in its Partnership interest and all proceeds thereof to secure any Default Loans made by the Nondefaulting Partner to the Defaulting Partner. The Nondefaulting Partner shall give written notice to the Defaulting Partner of the making of any such Default Loan, and the Defaulting Partner shall have one hundred twenty (120) days thereafter within which to repay the Nondefaulting Partner the amount of such Default Loan. Any interest paid on such Default Loan shall be paid directly to the Nondefaulting Partner and shall not affect either the Nondefaulting Partner's or the Defaulting Partner's Capital Account. Upon the payment in full of the principal of and all accrued interest on a Default Loan within such one hundred twenty (120) day period or pursuant to Sections 8.04(b) or 8.04(c) hereof, the Defaulting Partner's default, with respect to which a Default Loan was made, shall be deemed cured. The making of a Default Loan shall not be deemed to cure a default with respect to which a Default Loan has been made, and such cure may be made only in the manner set forth in the immediately preceding sentence or in Sections 8.04(b), 8.04(c) and 8.04(d) hereof. Any Default Loan made pursuant hereto to the Limited Partner shall be guaranteed by the spouse of the Limited Partner pursuant to the Guarantee attached hereto, with full recourse to the assets of the Limited Partner and the spouse of the Limited Partner.

(b) In the event a Nondefaulting Partner shall make a Default Contribution the Nondefaulting Partner's Percentage Share shall be increased and the Defaulting Partner's Percentage Share shall be decreased as of the date of such advance. At such time the Nondefaulting Partner's Percentage Share shall increase to a percentage (but not to exceed One Hundred percent (100%)) that is equal to a percentage derived from a fraction the numerator of which equals the sum of all Capital Contributions, including the Default Contribution, actually

made by the Nondefaulting Partner as of the time of the recalculation, and the denominator of which equals the aggregate sum of both Partners' Capital Contributions. The Defaulting Partner's Percentage Share shall be correspondingly decreased so that it shall be equal to One Hundred percent (100%) minus the Nondefaulting Partner's Percentage Share as increased in accordance with the preceding sentence. The Nondefaulting Partner's advance pursuant to 8.04(a) constituting such Default Contribution(s) shall be added to the Nondefaulting Partner's Capital Account. Upon such recalculations of the Partners' Percentage Shares and the corresponding adjustments of the Partners' respective Percentage Shares, the default associated with the Default Contribution(s) with respect to which such adjustments were made shall be deemed cured, to the extent of such Default Contribution(s) made by the Nondefaulting Partner, as of the date of such adjustments.

If the Defaulting Partner fails to repay the Nondefaulting Partner with respect to any one or more Default Loans within the one hundred twenty (120) day period referred to in Section 8.04(a) hereof, the Nondefaulting Partner may, at any time after the expiration of such one hundred twenty (120) day period and before the repayment of such Default Loan or Default Loans by the Defaulting Partner (including a repayment pursuant to Section 8.04(c) hereof), elect, by one hundred twenty (120) days prior written notice (the "Conversion Notice") with respect to any one or more Default Loans to the Defaulting Partner, to increase the Nondefaulting Partner's Percentage Share and decrease the Defaulting Partner's Percentage Share as of the date of and immediately following the date thirty (30) days following the Conversion Notice. If a Defaulting Partner has not repaid the Default Loan or Default Loans specified in the Conversion Notice within said thirty (30) days, the Nondefaulting Partner may elect to increase its Percentage Share (but not to exceed One Hundred percent (100%)) to equal a percentage derived from a fraction the numerator of which equals the Adjusted Capital Contribution (as defined below) of the Nondefaulting Partner and the denominator of which equals the aggregate sum of both Partners' Capital Contributions. The Defaulting Partner's Percentage Share shall be correspondingly decreased so that it shall be equal to One Hundred percent (100%) minus the Nondefaulting Partner's Percentage Share as increased in accordance with the preceding sentence. "Adjusted Capital Contribution" shall mean the sum of all Capital Contributions, not including the Contribution representing the Default Loan, actually made by the Nondefaulting Partner as of the time of the recalculation plus an amount equal to One Hundred and Twenty percent (120%) of the sum of all Default Loans which the Nondefaulting Partner has made to the Defaulting Partner with respect to which such adjustments were made. The parties acknowledge that in the event this remedy is exercised, additional Capital Contributions will be of critical value to the Partnership, and the parties further acknowledge that such value is not readily ascertainable as of the date hereof and a reasonable estimate of such value is achieved by the formula contained herein. Such formula for the "buy-down" reflects such estimate of the parties, and is not intended to be a penalty. Upon any such election, the Defaulting Partner's default, with respect to which the Default Loan(s) specified in the Conversion Notice was made, shall be deemed cured, the Nondefaulting Partner's advance pursuant to 8.04(a) hereof with respect to which such Default Loan(s) were made shall be added to the Nondefaulting Partner's Capital Account, and the amount of such advance shall be deducted from the Defaulting Partner's Capital Account. Upon such recalculations of the Partner's Percentage Shares and the corresponding adjustments of the Partner's respective Percentage Shares, the default associated with the Default Loan(s) with respect to which such adjustments were made shall be deemed cured, to the extent of such Default Loan(s) made by the Nondefaulting Partner, as of the date of such adjustments.

5. Amendment to Appraisal But Out Remedy. Section 8.05(b) of the Partnership Agreement is hereby amended to delete the number "ninety percent (90%) from the third line thereof, and the following is hereby substituted therefor: "(x) prior to the opening of the Project for business, one hundred

percent (100%), or (y) after the opening of the Project for business, ninety percent (90%),".

6. Amendment to Section 8.06. Section 8.06 of the Partnership Agreement is hereby deleted in its entirety.

7. Amendment to Section 9.03. Section 9.03 of the Partnership Agreement is hereby deleted in its entirety, and the following is hereby substituted therefor:

> The "Appraised Value" of the assets shall be equal to the following amounts: (a) prior to the opening of the Project for business, the aggregate Capital Contributions of the Partners plus the outstanding principal balance of any debt owed by the Partnership; (b) after the opening of the Project for business and if the Partners are in agreement as to the fair market value of the assets, such agreed value; or (c) after the opening of the Project for business if the Partners are unable to agree as to fair market value, the mean of the two closest appraised values reported by the Appraisal Panel; provided that if such values are equally distributed, the "Appraised Value" of the assets to be appraised shall be equal to the mean of the three appraised values reported by the Appraisal Panel.

8. Amendment to Section 13.13. Section 13.13 of the Partnership Agreement is hereby deleted in its entirety.

9. References. All references to the Partnership Agreement contained therein shall be deemed to refer to the Partnership Agreement as amended hereby.

10. Modification. Except as modified hereby, the Partnership Agreement remains in full force and effect. In the case of any inconsistency between this Amendment and the Partnership Agreement this Amendment shall control.

11. Counterparts. This Amendment may be executed in one or more counterparts, each of which is an original and all of which constitute one agreement.

12. Gaming Approval. The parties hereto confirm that the Partnership Agreement, as amended hereby, is subject to all statutes and regulations regulating gaming in the State of Illinois, and that certain acts contemplated by the Partnership Agreement as amended hereby, including without limitation transfers of partnership interests, are subject to the approval of the Illinois Gaming Board.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

GENERAL PARTNER:

HARRAH'S ILLINOIS CORPORATION,

By: /s/ Philip G. Satre

Name: Philip G. Satre

Title: President

LIMITED PARTNER:

/s/ John Q. Hammons

John Q. Hammons, an individual

I hereby consent to the foregoing Amendment, and confirm and ratify my guarantee contained in the Partnership Agreement in all respects.

/s/ Mrs. Juanita Hammons

Mrs. Juanita Hammons
Guarantor

AMENDMENT TO ESCROW AGREEMENT

Amendment ("this Amendment") dated as of October 29, 1993 to that certain Escrow Agreement (the "Escrow Agreement") dated February 6, 1990, by and between The Promus Companies Incorporated (the "Company"), the subsidiaries of the Company listed on the execution page of this Amendment, and NationsBank, formerly Sovran Bank (the "Escrow Agent").

WHEREAS, the parties desire to amend the Escrow Agreement to allow the Company's Chief Executive Officer and Chief Financial Officer jointly, to direct the Escrow Agent to borrow funds from any insurance policies in the Escrow Fund and to use such funds to purchase other life insurance policies, as may be jointly directed by the Company's Chief Executive Officer and Chief Financial Officer;

NOW THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration the receipt of which is hereby acknowledged, the parties hereto agree as follow:

1. The following paragraph is hereby added at the end of Section 2.02(b).

"Notwithstanding anything herein to the contrary, the Company's Chief Executive Officer and Chief Financial Officer, jointly, shall have authority to direct the Escrow Agent in writing, from time to time, to borrow from any Life Insurance Policies in the Escrow Fund and use the funds received from such borrowing to purchase other life insurance policies, including variable insurance or annuity contracts, as may be directed in writing by the Company's Chief Executive Officer and Chief Financial Officer, jointly, which other insurance policies shall be assets of the Escrow Fund subject to the terms and provisions of the Escrow Agreement, as amended. The Escrow Agent shall act only as an administrative agent in carrying out directed investment transactions in accordance with this paragraph and shall not be responsible for the investment decision. If a directed investment transaction violates any duty to diversify, to maintain liquidity or to meet any other investment standard or other requirement under this Escrow Agreement or applicable law, the entire responsibility shall rest upon the Company. The Escrow Agent shall be fully protected in acting upon or complying with any restrictions or directions provided in accordance with this paragraph."

2. The parties understand that Holiday Inns, Inc. is no longer a Subsidiary of the Company, no employees of Holiday Inns, Inc. are Participants, and Holiday Inns, Inc. is no longer a party hereto and has no rights or obligations under the Escrow Agreement.

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

THE PROMUS COMPANIES INCORPORATED

BY: /s/ William S. McCalmont

TITLE: VP & Treasurer

NATIONSBANK (Formerly Sovran Bank)

BY: /s/ John H. Pylant

TITLE: VP

HARRAH'S

BY: /s/ John M. Boushy

TITLE: SVP-IT & Corp. Mktg.

EMBASSY SUITES, INC.

BY: /s/ William S. McCalmont

TITLE: VP & Treasurer

HAMPTON INNS, INC.

BY: /s/ William S. McCalmont

TITLE: VP & Treasurer

AMENDED AND RESTATED

PARTNERSHIP AGREEMENT

OF HARRAH'S JAZZ COMPANY

AMONG

HARRAH'S NEW ORLEANS INVESTMENT COMPANY,

NEW ORLEANS/LOUISIANA DEVELOPMENT CORPORATION

AND

GRAND PALAIS CASINO, INC.

dated as of

March 15, 1994

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EXHIBITS

AMENDED AND RESTATED PARTNERSHIP AGREEMENT OF HARRAH'S JAZZ COMPANY AMONG HARRAH'S NEW ORLEANS INVESTMENT COMPANY, NEW ORLEANS/LOUISIANA DEVELOPMENT CORPORATION AND GRAND PALAIS CASINO, INC.

UNITED STATES OF AMERICA
STATE OF LOUISIANA
PARISH OF ORLEANS

On this 14th day of March, 1994, before me, the undersigned Notary Public, duly commissioned and qualified in and for the State of Louisiana, Parish of Orleans, and in the presence of the undersigned competent witnesses, personally came and appeared:

HARRAH'S NEW ORLEANS INVESTMENT COMPANY, a Nevada corporation, having an office and mailing address at 206 N. Virginia Street, Reno, Nevada 89501 (Taxpayer ID No. 62-1534758), represented herein by Colin V. Reed, its duly authorized Senior Vice President ("Harrah's");

NEW ORLEANS/LOUISIANA DEVELOPMENT CORPORATION, a Louisiana corporation having an office and mailing address at 3500 North Hullen, Metairie, Louisiana 70002 (Taxpayer ID No. 72-1213495), represented herein by Wendell H. Gauthier, its duly authorized Chairman of the Board ("NOLDC"); and

GRAND PALAIS CASINO, INC., a Delaware corporation (f/k/a Celebration Park Casino, Inc.), having an office and mailing address at 111 Rue D'Iberville, New Orleans, Louisiana 70130 (Taxpayer ID No. 72-1214224), represented herein by Christopher B. Hemmeter, its duly authorized Chairman of the Board ("Grand Palais");

who, being duly sworn, declared that they hereby enter into an Amended and Restated Partnership Agreement effective as of March 15, 1994, for purposes of amending, restating and superseding in its entirety that certain Partnership Agreement dated November 29, 1993, among Harrah's, NOLDC and Grand Palais (the "Original Agreement"), and adopt Articles of Partnership of HARRAH'S JAZZ COMPANY as follows:

ARTICLE 1

DEFINITIONS

Unless otherwise expressly provided herein or unless the context otherwise requires, each of the following terms when used herein shall have the following defined meanings:

"Additional Capital Contributions" means all capital contributions to the Partnership in excess of the Initial Capital Contributions.

"Adjusted Capital Account Deficit" has the meaning set forth in Section 4.08(g)(i) hereof.

"Affiliate" means, as to any Partner (or as to any other Person the affiliates of whom are relevant for purposes of any provisions of this Agreement), (i) any Person owned or Controlled by, under common ownership or Control with, or which

owns or Controls, directly or indirectly, such Partner or other Person or any trustee of a Partner or other Person or limited partner of a Partner or other Person owning a majority interest in such Partner or other Person, and (ii) any members of such Partner's or other Person's immediate family. For purposes hereof, shares or other ownership interests held by a trust shall be deemed to be owned pro rata by the beneficiaries of such trust, and members of the immediate family of any Partner or other Person shall mean the children, spouse and parents of such Partner or other Person and ownership shall mean ownership of any direct or indirect beneficial interest in the Person with respect to whom Affiliation is being determined.

"Agreement" means this Amended and Restated Partnership Agreement of Harrah's Jazz Company, as amended, modified or supplemented from time to time.

"Appraisal Buyout" has the meaning set forth in Section 8.05(a) hereof.

"Appraisal Buyout Price" has the meaning set forth in Section 8.05(b) hereof.

"Appraisal Panel" has the meaning set forth in Section 9.02(e) hereof.

"Appraised Value" has the meaning set forth in Section 9.03 hereof.

"Assembled Real Estate" means the real property described in Exhibit B-1 attached hereto and by this reference incorporated herein.

"Budget" means any or all of the Operating Budget, Temporary Casino Project Budget, Permanent Casino Project Budget and Remaining Property Project Budget.

"Business Day" means any day other than Saturday, Sunday or any day which is a federal or State holiday.

"Capital Account" has the meaning set forth in Section 3.08(a) hereof.

"Capital Contribution" means the total amount of Initial Capital Contributions, Additional Capital Contributions and any other money and the agreed value of any property (determined net of any liabilities secured by such property that the Partnership is considered to assume or take subject to and determined consistently with Code Section 752(c) and without regard to Code Section 7701(g)) contributed, or to be contributed, as the case may be, to the Partnership by a Partner.

"Cash Flow" means all cash received by the Partnership from all sources (except Major Capital Events) remaining after payment of current expenses, liabilities, debts or obligations of the Partnership, including without limitation the deduction of

any Contingent Payments under and as defined in the Rivergate Lease and the Temporary Casino Lease.

"Casino Act" means Act 384 of 1992, codified as L.R.S. 4:601, et seq., as amended.

"Casino Operating Contract" means the contract to be entered into between Louisiana Jazz Company and LEDGC pursuant to the LEDGC Proposal with respect to the Temporary Casino and/or the Permanent Casino as defined by Section 605 (6) of the Casino Act, as such contract may be amended from time to time by the parties thereto.

"City" means the City of New Orleans in the State.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" has the meaning set forth in Section 10.03(d)(i) hereof.

"Completion Loan Agreement" means that certain Completion Loan Agreement contemplated to be entered into by and among the Partnership, Embassy Suites, Inc. and The Promus Companies Incorporated.

"Control" means the ability, whether by the direct or indirect ownership of shares or other equity interest, by

contract or otherwise, to elect a majority of the directors of a corporation, to select the managing partner of a partnership (in the case of this Partnership, the power to direct the votes of two (2) of the three (3) members of the Executive Committee representing any Represented Group), or otherwise to select, or have the power to remove and select, a majority of those Persons exercising governing authority over an entity, and, in the case of a limited partnership shall mean the sole general partner, all of the general partners to the extent each has equal management control and authority, or the managing general partner or managing general partners thereof.

"Conversion Notice" has the meaning set forth in Section 8.04(b) hereof.

"Default Lender" has the meaning set forth in Section 8.04(a)(ii) hereof.

"Default Loan" has the meaning set forth in Section 8.04(a) hereof.

"Defaulted Obligations" has the meaning set forth in Section 10.03(d) hereof.

"Defaulting Indemnifying Partner" has the meaning set forth in Section 10.03(d) hereof.

"Defaulting Partner" has the meaning set forth in Section 8.01 hereof.

"Disqualified Buyer" means any Person (i) engaged in a gaming business that generates in excess of Fifty Million Dollars ($50,000,000) in annual gross revenues; (ii) who has at any time in the 5-year period preceding any proposed Transfer been involved in any litigation set forth in any filing of a Form 10-Q, 10-K or 8-K with the Securities and Exchange Commission by Harrah's or any Affiliates that are Controlled by, under common Control with, or Controlling Harrah's, or (iii) any Person which has more than one-third (1/3) of its direct or indirect beneficial ownership interest owned or Controlled by any Person described in the foregoing clauses (i) and (ii).

"Distributions" means all distributions or other payments to Partners by the Partnership of cash or the fair market value of any property (determined net of any liabilities secured by such property that the distributee is considered to assume or take subject to and determined consistently with Code Section 752(c) and without regard to Code Section 7701(g)) distributed to the Partners pursuant to Article 4 or Section 15.03 hereof.

"Electing Partner" means a Nondefaulting Partner as determined pursuant to any of Sections 8.03, 8.04 or 8.06 hereof.

"Embassy" means Embassy Suites, Inc., a Delaware corporation and an indirect parent of Harrah's.

"Event of Default" has the meaning set forth in Section 7.01 hereof.

"Exercising Partners' Percentage Share" means for purposes of any election by a Material Partner pursuant to Sections 6.02, 8.03, 8.04 or 8.06 hereof a percentage equal to a fraction the numerator of which is any one electing Material Partner's aggregate Percentage Share and the denominator of which is the sum of all electing Material Partners' aggregate Percentage Shares.

"Executive Committee" has the meaning set forth in Section 5.01(a) hereof.

"First Appraiser" has the meaning set forth in Section 9.02(a) hereof.

"Force Majeure", when used with reference to a specified Person, means any event beyond the reasonable control of such Person, including, without limitation, strike, lockout, breakdown, accident or other acts of God, acts of war, insurrection, civil strife and commotion, labor unrest, failure of supply despite the exercise of reasonable diligence by such Person, order or regulation of any governmental authority, and any litigation not instituted or caused by such Person

interfering with the normal development or operation of the Project.

"Grand Palais" means Grand Palais Casino, Inc., a Delaware corporation (f/k/a Celebration Park Casino, Inc.).

"Grand Palais Riverboat" means a single riverboat gaming vessel, the rights to which are currently owned by Grand Palais Riverboat, Inc., which is to be located on the Mississippi River in Orleans Parish in the State together with any ownership or participating interest in any one terminal facility at a single location related thereto, and any joint venture with, or other participation in the revenues or management of, any other riverboat sharing such terminal facility.

"Gross Revenues" has the meaning set forth in the Management Agreement.

"Harrah's" means Harrah's New Orleans Investment Company, a Nevada corporation.

"Holding Entity" means the Partners and any corporation, partnership, trust, limited liability company, limited partnership or other entity or Person that, directly or remotely, holds any interest in the Partnership or any beneficial interest in any Partner's Partnership Interest.

"House Bank" has the meaning set forth in Article 1.01(gg) of the Management Agreement.

"Indemnified Person" means as to any Partner indemnified under Article 10 hereof, such Partner and any Affiliate of such Partner, and any agents, attorneys, officers, members, directors, stockholders or employees of such Partner or such Affiliate.

"Indemnifying Partner" has the meaning set forth in Section 4.05(b) hereof.

"Indemnifying Partner Default" has the meaning set forth in Section 10.03(d) hereof.

"Initial Capital Contributions" has the meaning set forth in Section 3.01(a) hereof.

"Institutional Investor" means a lender or institutional investor which is exempt from a suitability determination by LEDGC, or has been waived from a suitability determination by LEDGC.

"Keeper" has the meaning set forth in Section 10.03(g) hereof.

"LEDGC" means Louisiana Economic Development and Gaming Corporation, a special purpose corporation formed by the State

pursuant to the Casino Act, or any successor governmental authority succeeding to its responsibilities to regulate the Temporary Casino and/or Permanent Casino.

"LEDGC Proposal" means the proposal, as amended, of Louisiana Jazz Company (f/k/a Harrah's Jazz Company), a Louisiana general partnership whose sole partners are NOLDC and Harrah's, to develop and operate the Project in response to the Second Request For Qualifications and Proposals from LEDGC dated July 21, 1993.

"Letter of Intent" means the letter dated October 13, 1993, among Grand Palais Enterprises, Inc., Grand Palais, NOLDC and Harrah's, and the side letters thereto of even date therewith among NOLDC, Harrah's, Grand Palais and Grand Palais Enterprises, Inc., and among Harrah's, Harrah's New Orleans Management Company and NOLDC.

"Liquidator" has the meaning set forth in Section 15.02(a) hereof.

"Major Capital Event" means any borrowings or equity or debt financings (except short term borrowing in the ordinary course of business) by the Partnership or otherwise relating to the Project (excluding any loan made pursuant to the Completion Loan Agreement, Partner Loans and any other loans to the Partnership made by a Partner or its Affiliate that is Controlled by, under common Control with, or Controlling such Partner), any

sale of all or a portion of the Project or any Partnership assets (except dispositions of personal property and equipment in the ordinary course of business), any insured casualty loss or any condemnation or other involuntary conversion with respect to the Project (including losses covered by title insurance), or any revocation or breach by LEDGC under the Casino Operating Contract.

"Major Decisions" has the meaning set forth in Section 5.01(d) hereof.

"Manager" means Harrah's New Orleans Management Company, a Nevada corporation.

"Management Agreement" means that certain Amended and Restated Management Agreement by and between the Louisiana Jazz Company (f/k/a Harrah's Jazz Company) and Manager, of even date herewith, and as it may be amended from time to time by the Partnership and Manager.

"Material Change Order" means any modification or change order with respect to any of the Remaining Project Budget, the Temporary Casino Project Budget, Temporary Casino Conceptual Plans, Permanent Casino Project Budget, or Permanent Casino Conceptual Plans which either (i) result in incremental increases or decreases in costs of Two Hundred Fifty Thousand Dollars ($250,000) per change order or One Million Dollars ($1,000,000) in the aggregate for all modifications or change orders with

respect to the Temporary Casino or the Permanent Casino considered separately, or (ii) materially change the design or character of the Temporary Casino or Permanent Casino from that which is described in the Temporary Casino Conceptual Plans or the Permanent Casino Conceptual Plans; in either case excluding any modifications or change orders that result from (A) a Force Majeure with respect to the Partnership, (B) delays caused by the City, RDC, LEDGC or any other governmental agency, (C) changes in law or changes in the interpretation of existing law, (D) change in interest rates, (E) title encumbrances or defects, or (F) delays resulting from the conditional use, zoning and other land use entitlements necessary for the Project.

"Material Partner" means any Partner owning or controlling a twenty-six percent (26%) or greater Percentage Share in the Partnership.

"Minimum Balance" has the meaning set forth in Article 8.03 of the Management Agreement.

"Monetary Default" means (i) the failure to make an Initial Capital Contribution when and as required by Section 3.01 hereof, (ii) the failure to make an Additional Capital Contribution when and as required by Section 3.03 hereof, (iii) the failure to repay a Default Loan at its maturity date, (iv) the failure to pay any indemnity obligations to the Partnership pursuant to Sections 10.02 and 10.04 hereof when due pursuant to Section 10.07(c) hereof, and (v) the failure timely to contribute

the amount of a negative Capital Account balance pursuant to Section 15.03 hereof.

"Named Parishes" has the meaning set forth in Section 16.01(a) hereof.

"Net Partnership Price" has the meaning set forth in Section 8.03(e) hereof.

"NOLDC" means New Orleans/Louisiana Development Corporation, a Louisiana corporation.

"NOLDC Loan" means (i) fifty percent (50%) of the November Real Estate Loan, and (ii) a non-revolving loan from an Institutional Investor to NOLDC secured by its Partnership Interest in a principal amount equal to Twenty-Three Million Three Hundred and Thirty-Three Thousand, Three Hundred and Thirty Three and 33/100 Dollars ($23,333,333.33), plus any interest or other amounts due pursuant to the loan documents for such loan, the proceeds of which are solely used to fund Initial Capital Contributions or Additional Capital Contributions; provided that in no event may such NOLDC Loan exceed Forty Million Dollars ($40,000,000) in principal amount plus interest or other amounts due thereon.

"Non-Casino Investments" has the meaning set forth in Section 16.01(a) hereof.

"Nondefaulting Partners" has the meaning set forth in Section 8.01 hereof.

"Non-Material Partner Appraisal Buyout" has the meaning set forth in Section 8.06(a) hereof.

"Non-Material Partner Appraisal Buyout Price" has the meaning set forth in Section 8.06(b) hereof.

"Non-Material Partner Appraisal Purchaser" has the meaning set forth in Section 8.06(a)(ii) hereof.

"November Real Estate" means the real property described on Exhibit B-2 attached hereto and by this reference incorporated herein.

"November Real Estate Loan" means that certain Term Note in the original principal amount of $17,827,177.49 by and between First National Bank of Commerce and Louisiana Jazz Company, dated as of November 30, 1993, secured by a collateral mortgage encumbering the November Real Estate.

"Offer" has the meaning set forth in Section 8.03(b) hereof.

"Offer Related Partnership Interest" means a portion of the Partnership Interest of the Partner in which a Holding Entity directly or indirectly owns an interest determined by multiplying

the Percentage Share of such Partner by the percentage of the ownership interest in such Partner directly or indirectly owned by the Holding Entity.

"Offer Related Partnership Interest Price" has the meaning set forth in Section 6.02(b) hereof.

"Offeree" has the meaning set forth in Section 8.03(d) hereof.

"Offered Interest" has the meaning set forth in Section 6.02(b) hereof.

"Offeror" has the meaning set forth in Section 8.03(c) hereof.

"Operating Budget" means the pre-opening expense budget and annual budgets for the operation of the Temporary Casino or the Permanent Casino, as the case may be, attached to, or presented by the Manager and as approved by the Partnership pursuant to Article 8.02 of the Management Agreement.

"Operating Cash Deficiency" has the meaning set forth in Section 3.03(a) hereof.

"Original Agreement" has the meaning set forth in the recital to this Agreement.

"Partners" means Harrah's, NOLDC and Grand Palais, or any other Person who, at the time of reference thereto, has been admitted to the Partnership as a successor or additional Partner of the Partnership, in each such Person's capacity as a general partner.

"Partner Group" has the meaning set forth in Section 5.05(a) hereof.

"Partner Group Representative" has the meaning set forth in Section 5.05(b) hereof.

"Partner Loans" means loans to the Partnership by any Partner made from time to time by any Partner with the approval of the Partnership or deemed to have been made pursuant to Section 3.03(c) hereof.

"Partner Minimum Gain" has the meaning set forth in Section 4.08(g)(iii) hereof.

"Partnership" means the partnership continued hereby.

"Partnership Agreement" means this Agreement as it may be amended from time to time pursuant to Section 17.09 hereof.

"Partnership Interest" means each Partner's total interest in the Partnership, including, without limitation, its Percentage Share, its Capital Account, its right to

Distributions, and its right, if any, to participate in the management of the Partnership.

"Partnership Minimum Gain" has the meaning set forth in Section 4.08(g)(ii) hereof.

"Percentage Share" means the percentage assigned to each Partner by which each such Partner shall share in various allocations and Distributions of the Partnership in accordance with the terms of this Agreement. The Percentage Share initially allocated to each Partner is set forth in Section 3.06 hereof, and is subject to the provisions of Section 8.04(b) hereof.

"Permanent Casino" means the official gaming establishment described in Sections 605 and 641 of the Casino Act to be constructed pursuant to the Permanent Casino Conceptual Plans and any further plans and specifications approved by the Partnership pursuant to Section 5.01(b) hereof or by Harrah's pursuant to Section 5.01(c) hereof.

"Permanent Casino Conceptual Plans" means conceptual plans and specifications for the Permanent Casino approved by the Partnership prior to the date of this Agreement as described in Exhibit F-2 attached hereto and by this reference incorporated herein and as thereafter modified from time to time by the Partnership pursuant to Section 5.01(b) hereof or by Harrah's pursuant to Section 5.01(c) hereof.

"Permanent Casino Project Budget" has the meaning set forth in Section 5.02(a) hereof.

"Permanent Casino Project Costs" has the meaning set forth in Section 5.02(b) hereof.

"Permanent/Temporary Casino Financing" means financing which meets the following criteria: (i) maximum required equity investment: Seventy Million Dollars ($70,000,000); (ii) non-recourse to the Partners; (iii) maximum interest rate of fourteen percent (14%) per annum; (iv) no equity sharing or contingent interest; (v) security consisting of first leasehold mortgage on the Temporary Casino and the Permanent Casino and a first lien on tangible personal property which is part of the Property; (vi) principal amount sufficient to obtain the Casino Operating Contract, acquire the Assembled Real Estate and the November Real Estate and to design, construct, complete, equip, furnish and open the Temporary Casino and the Permanent Casino (including, without limitation, any payments by the Partnership to the City, RDC, LEDGC or any Partner in connection therewith) according to the Permanent Casino Conceptual Plans and the Temporary Casino Conceptual Plans, but in no event less than Six Hundred Million Dollars ($600,000,000); (vii) weighted average maturity of any public bond financing portion of the financing of no less than seven (7) years, and no more than Two Hundred Million Dollars ($200,000,000) of principal payments required in any year; (viii) institutional lender or public debt with institutional lender trustee approved by LEDGC; and (ix) other terms and conditions

customary for major casino financing transactions; or such other financing as may be approved by the Partnership to obtain the Casino Operating Contract, acquire the Assembled Real Estate and the November Real Estate and to design, construct, complete, equip, furnish and open the Temporary Casino and the Permanent Casino (including, without limitation, any payments by the Partnership to the City, RDC, LEDGC or any Partner in connection therewith).

"Person" means any individual, partnership, limited liability company, corporation, unincorporated association, trust or other entity.

"Prime Rate" means the prime rate of interest charged by Bankers Trust Company, New York, New York to borrowers on ninety (90) day unsecured commercial loans, as the same may be changed from time to time, but if such rate shall cease to be published, the Prime Rate shall be the prime rate of interest published in the Wall Street Journal, adjusted monthly on the first weekday of every month, or, if such rate shall cease to be published, an equivalent published rate of interest as determined by the Partnership.

"Proceeds of Major Capital Events" means the net proceeds of any Major Capital Event after deducting any closing costs or expenses arising in connection with the Major Capital Event, debt repaid in connection with such Major Capital Event out of such proceeds and any amounts reinvested in the Project or

the Property or held in any escrow or other restricted accounts for investment in the Project, including without limitation the deduction of any Contingent Payments under and as defined in the Rivergate Lease and the Temporary Casino Lease.

"Project" means any business conducted at or with respect to the Property.

"Property" means the Temporary Casino, the Permanent Casino, the Assembled Real Estate, the November Real Estate and such additional movable and immovable property as the Partnership may determine to lease or acquire, that is either located thereat or used in connection with or relates to the business of the Partnership and, following its assignment to the Partnership pursuant to Section 3.01(b) hereof, the Casino Operating Contract.

"Public Offering" means the issuance and sale of stock or other equity interest in a Person pursuant to a public offering of such stock or equity interest registered with the Securities and Exchange Commission.

"Public Transfer" means a Transfer of (i) publicly-held stock or other equity interests in a Person provided that such stock or other equity interests are publicly held immediately prior to, at the time of, and immediately following such Transfer, or (ii) shares issued in an initial public offering

pursuant to a registration statement duly filed with and declared effective by the Securities and Exchange Commission.

"Qualified Institutional Buyer" means a qualified institutional buyer as defined in Rule 144A of the Securities and Exchange Commission promulgated pursuant to the Securities Act of 1933, as amended.

"RDC" means Rivergate Development Corporation, a public benefit corporation formed by the City to act as the Landlord under the Rivergate Lease.

"Redeemed Interest" has the meaning set forth in Section 8.05(a) hereof.

"Regulatory Allocations" has the meaning set forth in Section 4.08(h) hereof.

"Remaining Partner" means a Partner who is eligible to exercise, but does not initiate, any remedy for purposes of any of Sections 8.03, 8.04 or 8.06 hereof.

"Remaining Property Project Budget" has the meaning set forth in Section 5.02(a) hereof.

"Remaining Property Project Costs" has the meaning set forth in Section 5.02(b) hereof.

"Representatives" has the meaning set forth in Section 5.01(a)(i) hereof.

"Represented Group" means a Partner Group having at least one Material Partner as a member.

"Restricted Parties" has the meaning set forth in Section 16.01(a) hereof.

"Rivergate Lease" means that certain Amended Lease Agreement for the Permanent Casino by and among RDC, as Landlord; City, as Intervenor; and the Partnership, as Tenant, of even date herewith, and all documents incorporated therein by reference, as such lease and documents may be amended by the parties thereto from time to time.

"Second Appraiser" has the meaning set forth in Section 9.02(b) hereof.

"Secured Party" has the meaning set forth in Section 10.03(d) hereof.

"Securities Act" has the meaning set forth in Section 10.03(d)(vi) hereof.

"Star Casino Riverboat" means that certain riverboat gaming vessel (and license authorizing the development and operation thereof) owned by Star Casino, Inc. (whose shareholders

include Carl J. Eberts and Louie Roussel, III, shareholders of NOLDC) and located in Orleans Parish in the State.

"State" means the State of Louisiana.

"Subsequent Offer" has the meaning set forth in Section 6.02(h) hereof.

"Tax Liabilities" means income tax liabilities which may be chargeable to any Partner, or, if such Partner is not a tax-paying entity, each beneficial owner of such Partner who is a tax-paying entity (using the maximum income tax rate applicable to such Partner or such tax-paying entity) for each fiscal year of the Partnership, in respect of the taxable income of the Partnership (net of any prior taxable loss of the Partnership not previously used to offset taxable income of the Partnership) shown on the information returns of the Partnership as of the end of the fiscal year of the Partnership as to which such determination is being made.

"Tax Reserve" means a reserve of the Partnership against Tax Liabilities to be established each year and to be equal to the estimated Tax Liabilities of the Partner or applicable tax-paying entity with the highest tax rate for its estimated Tax Liabilities for such year divided by such Partner's Percentage Share (or the Percentage Share beneficially owned by such tax-paying entity). To the extent Tax Liabilities of the Partner or applicable tax-paying entity with the highest actual

tax rate for Tax Liabilities in any one year exceeds the estimated amount in the Tax Reserve for such Partner or entity times its Percentage Share (or the Percentage Share beneficially owned by such tax-paying entity), the Tax Reserve shall be replenished from Cash Flow to an amount equal to its actual Tax Liabilities divided by its Percentage Share (or the Percentage Share beneficially owned by such tax-paying entity).

"Temporary Casino" means the temporary gaming establishment to be located at such site as shall be determined by the Partnership, subject to approval by LEDGC pursuant to Section 641(J) of the Casino Act, constructed pursuant to the Temporary Casino Conceptual Plans and any further plans and specifications approved by the Partnership pursuant to Section 5.01(b) hereof or by Harrah's pursuant to Section 5.01(c) hereof.

"Temporary Casino Conceptual Plans" means conceptual plans and specifications for the Temporary Casino approved by the Partnership prior to the date of this Agreement as described on Exhibit F-1 attached hereto and by this reference incorporated herein and as thereafter modified from time to time by the Partnership pursuant to Section 5.01(b) hereof or by Harrah's pursuant to Section 5.01(c) hereof.

"Temporary Casino Lease" means that certain Temporary Casino Lease by and among the RDC, as Landlord; City, as intervenor; and the Partnership as Tenant, of even date herewith, and all documents incorporated therein, as such lease and

documents may be amended by the parties thereto from time to time.

"Temporary Casino Project Budget" has the meaning set forth in Section 5.02(a) hereof.

"Temporary Casino Project Costs" has the meaning set forth in Section 5.02(b) hereof.

"Third Appraiser" has the meaning set forth in Section 9.02(c) hereof.

"Transfer" has the meaning set forth in Section 6.01(a) hereof.

"Treasury Regulation" means the income tax regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Unanimous Approval" means unanimous approval by the Represented Groups expressed by vote of their Representatives.

"Unsuitability Determination" has the meaning set forth in Section 11.01(b) hereof.

"Valuation Date" has the meaning set forth in Section 8.05(a) hereof.

ARTICLE 2

FORMATION

2.01 Partnership Agreement. The Partnership is a general partnership organized under and pursuant to the terms of the partnership laws of the State and the Original Agreement. From and after its execution, this Agreement shall constitute the only agreement of partnership of the Partners, except as it may hereafter be amended pursuant to the provisions of this Agreement. This Agreement represents the entire agreement and understanding of the parties hereto, and all prior agreements, understandings, representations and warranties in regard to the subject matter hereof, including without limitation, the Letter of Intent and the Original Agreement, are superseded hereby.

2.02 Organization and Name. The name of the Partnership is "Harrah's Jazz Company". At any such time as Harrah's or any Affiliates that are Controlled by, under common Control with, or Controlling Harrah's shall no longer be a Partner in the Partnership, the Partnership shall no longer be entitled to use the word "Harrah's" as a part of its name and shall thereupon change the name of the Partnership to eliminate the use of the word "Harrah's". The partners of the Partnership shall be the Partners. The Partners agree to execute such certificates or documents and make such filings and recordings and perform all other acts, including the filing of this

Agreement and any amendments hereto, in appropriate governmental offices as may be required to effect any name change of the Partnership or otherwise in order to comply with all applicable laws.

2.03 Place of Business and Principal Office; Registered Agent and Registered Office

(a) The principal place of business of the Partnership shall be the City and its principal office shall be One Canal Place, 365 Canal Street, New Orleans, Louisiana 70130, or at such other place as the Partners may agree.

(b) The name and address of the registered agent for service of process on the Partnership in the State is The Prentice Hall Corporation System, Inc., 203 Carondelet Street, Suite 811, New Orleans, Louisiana 70130. The registered office of the Partnership is located at such address. The Partnership may designate any other Person as the registered agent and any other location as the registered office, respectively, as the Partnership deems appropriate, subject to applicable law.

2.04 Purpose and Title. The purpose and business of the Partnership shall be to own, develop and operate the Property and the Project. The Partnership shall have the power to do all acts and things necessary, appropriate, convenient or useful in connection with the foregoing. Title to any or all of the Property (or the interest of the Partnership therein) may be

taken and held in the name of the Partnership and the power of direction vested in the Partnership or its designees, as provided in this Agreement. The Partnership shall be a partnership only for the purposes described in this Section 2.04, and this Agreement shall not be deemed to create a partnership between the Partners with respect to any activities whatsoever other than the activities contemplated hereby or incident thereto.

2.05 Term. The Partnership commenced on November 29, 1993 and shall continue in full force and effect until the date which is sixty-one (61) years from date of this Agreement, or until dissolution prior thereto pursuant to the provisions hereof or by operation of law. Each Partner agrees not to withdraw from the Partnership prior to the end of the term of the Partnership set forth in this Section 2.05 or to terminate or dissolve the Partnership other than pursuant to Section 15.01 hereof. If the Partnership is continued pursuant to Section 15.01(f) hereof following the bankruptcy of any Partner, any succession of the Partnership Interest of such Partner shall be deemed a Transfer, subject to and effective upon compliance with all terms and conditions of this Agreement.

ARTICLE 3

CONTRIBUTIONS

3.01 Initial Capital Contributions

(a) The Partners have previously made capital contributions to the Partnership. The purchases, assignments and transfers to the Partnership pursuant to Section 3.01(b) hereof shall not result in any adjustments to the Capital Accounts of the Partners. The Partners may from time to time hereafter prior to the closing of the Permanent/Temporary Casino Financing make additional capital contributions. Prior to the closing of the Permanent/Temporary Casino Financing, the aggregate initial capital contributions to the Partnership (the "Initial Capital Contributions") shall be not less than the amounts set forth on Exhibit A attached hereto and by this reference incorporated herein.

(b) The Partnership has purchased the Assembled Real Estate subject to existing debt and liens identified in Exhibit B-1 attached hereto and by this reference incorporated herein. The Partnership has purchased the November Real Estate subject to existing debt and liens identified in Exhibit B-2 hereto. The Partnership has purchased and the Partners have assigned and transferred to the Partnership those certain studies, plans, specifications, engineering reports, environmental reports, and contracts relating to the development and operation of the

Project (excluding the LEDGC Proposal) identified in Exhibit C attached hereto and by this reference incorporated herein together with all other intangibles and predevelopment assets relating to the Project. NOLDC and Harrah's as partners of Louisiana Jazz Company shall apply for, and together with Grand Palais shall take all action within their control to obtain approval of LEDGC to the transfer of the Casino Operating Contract to the Partnership concurrently with its issuance of the Casino Operating Contract, such transfer to be in consideration of the assumption of all the obligations thereunder by the Partnership. If LEDGC should refuse to approve the transfer of the Casino Operating Contract to the Partnership, and if such alternate procedure is available under the Casino Act, Harrah's and NOLDC shall apply for (i) the approval of LEDGC to the admission of Grand Palais to Louisiana Jazz Company, as an additional general partner; (ii) the approval of LEDGC to the amendment and restatement of the partnership agreement of Louisiana Jazz Company to replicate this Partnership Agreement; and (iii) the approval of RDC and the City to the assignment of the Rivergate Lease and Temporary Casino Lease to Louisiana Jazz Company in consideration of the assumption by Louisiana Jazz Company of such leases. The events described in (i), (ii) and (iii) above shall be undertaken only if all three events are approved and closed simultaneously. The Partners agree that each of the Partners acting alone may enforce the covenants set forth in the three (3) preceding sentences. Each Partner agrees to execute such documents as may be necessary to consummate such events.

(c) The Partners agree that they shall receive reimbursements of their separate costs and expenses incurred by them for negotiating documents and performing acts necessary to form the Partnership, amend this Agreement, and acquire the Assembled Real Estate and November Real Estate, and enter into the Temporary Casino Lease and the Rivergate Lease, in the period between October 1, 1993 and the closing of the Permanent/Temporary Casino Financing, not to exceed Three Million Dollars ($3,000,000) to each Partner in the amounts as agreed upon by the Partnership only from the proceeds of the Permanent/Temporary Casino Financing, to the extent permitted by the lenders thereof.

(d) The Partnership shall assume all principal and unpaid interest on each loan described on Exhibits B-1 and B-2 hereto as obligations of the Partnership which shall be nonrecourse to the Partners.

(e) All interest, property taxes, insurance and other carry costs incurred by Grand Palais with respect to the Assembled Real Estate and Louisiana Jazz Company with respect to the November Real Estate, during the period from October 1, 1993 through March 15, 1994, shall be reimbursed pari passu to Grand Palais in respect of the Assembled Real Estate and Louisiana Jazz Company in respect of the November Real Estate, only from the Proceeds of a Major Capital Event following payment of amounts payable under Section 3.01(f) hereof. Any interest, property tax, insurance or other carry costs with respect to the Assembled

Real Estate or the November Real Estate which come due after March 15, 1994, and relate to the period from October 1, 1993 through March 15, 1994, shall be prorated between the Partnership and Grand Palais or Louisiana Jazz Company, as the case may be. As any such costs hereafter come due, (i) the Partnership shall pay in cash the portion of any such costs allocable to the period after March 15, 1994, for the Assembled Real Estate and the November Real Estate, (ii) Grand Palais shall pay in cash the portion of any such costs allocable to the period prior to March 15, 1994, for the Assembled Real Estate, and (iii) Louisiana Jazz Company shall pay in cash the portion of any such costs allocable to the period prior to March 15, 1994, for the November Real Estate. All reimbursements made pursuant to this Section 3.01(e) shall be subject to the following terms and conditions:

(A) such costs shall be audited and otherwise documented to the reasonable satisfaction of the Executive Committee; and

(B) payment or reimbursement by the Partnership of such costs shall not be restricted by the Casino Act or other applicable law, rules, regulations or orders or be in violation of Section 16.02 hereof.

(f) The Partnership shall pay and each Partner shall receive a payment for soft costs incurred prior to September 1, 1993 in preparation for the development of the Temporary Casino and Permanent Casino and related personalty sold to the

Partnership, as set forth on Exhibit A hereto. Such payment shall be made only from and to the extent of any Proceeds of, and upon the occurrence of any Major Capital Events pari passu. Such payment may only be used by such Partners for purposes of payment of, or reimbursement for, such soft costs for which it was distributed. Each Partner will, within sixty (60) days following its receipt of such funds, provide an accurate accounting to the Partnership of all payments made with such funds and shall refund to the Partnership, and not otherwise use or distribute, any amounts not applied to the costs for which they were paid. Any funds so refunded to the Partnership shall be held by the Partnership, if requested by the refunding Partner, for later disbursement to pay the costs for which it was reimbursed, provided that if such costs are not paid within one hundred twenty (120) days, the Partnership shall be excused from any obligation to pay the Partners for such costs.

3.02 Value of Purchased Property. The Partners agree that no credit or other amount in respect of any property purchased by or assigned or transferred to, the Partnership pursuant to Sections 3.01(b) and 3.01(f) hereof shall be credited or attributed to the Capital Account of any Partner.

3.03 Additional Capital Contributions

(a) Additional Capital Contributions shall be made in accordance with each Partner's Percentage Share within five (5) Business Days of written notice from the Partnership that such

amount is needed because the Partnership lacks sufficient funds in excess of the Minimum Balance and House Bank, to pay its current costs, liabilities or expenses or any contractually required reserve (an "Operating Cash Deficiency").

(b) Prior to making a call for an Additional Capital Contribution for any reason other than to fund an Operating Cash Deficiency, the Partnership shall first use reasonable efforts for at least twenty (20) days to obtain non-recourse financing from at least two (2) Institutional Investors.

(c) If any Partners shall timely make all or any portion of any Additional Capital Contributions in response to any call for Additional Capital Contributions made from time to time pursuant to this Section 3.03 and any other Partner or Partners shall fail timely to make corresponding Additional Capital Contributions in an equal amount pursuant to any such call for Additional Capital Contributions, the portion of any Additional Capital Contribution contributed by any Partner or Partners in excess of the lowest amount of Additional Capital Contribution contributed by any other Partner shall be deemed to be Partner Loans bearing interest at a fixed rate equal to the greater of (i) the then Prime Rate plus three percent (3%) or (ii) nine and one-quarter percent (9 1/4%) per annum, but in no event greater than the maximum rate permitted by applicable law, from the date such amount was advanced until the date such amount is repaid; provided that such deemed Partner Loan shall not cure the default of the Partner failing to make an Additional Capital

Contribution. If NOLDC fails timely to make any Additional Capital Contributions pursuant to this Section 3.03, each Nondefaulting Partner shall have the option either to make a Default Loan to NOLDC pursuant to Section 8.04 hereof, or to fund directly to the Partnership all or any portion of NOLDC's Additional Capital Contribution as a Partner Loan on the same terms as a Partner Loan pursuant to the preceding sentence. To the extent that every Partner failing timely to make an Additional Capital Contribution shall cure its default by thereafter making such Additional Capital Contribution or to the extent such Partner's failure to make such Additional Capital Contribution shall be cured by a Default Loan subsequently made to the Partner failing timely to make its Additional Capital Contribution, any Partner Loan deemed to have been made pursuant to this Section 3.03(c) shall from and after the date of such cure be thereafter deemed to be an equity contribution pursuant to Section 3.03(a) hereof but the Partnership shall remain liable for any interest accruing on any such Partner Loan up to the date of such cure or repayment of such Partner Loan.

3.04 Financing. The Partnership desires to obtain Permanent/Temporary Casino Financing to fund all costs necessary to lease, design, construct, complete, equip, furnish and open the Temporary Casino and the Permanent Casino.

3.05 Evidence of Partnership Interest. No certificates or other evidence of ownership shall be issued with respect to the Partnership Interests except this Agreement which, when

executed, shall solely represent and evidence the interest owned by each Partner. In the event Partnership certificates are issued with respect to the Partnership Interests, such certificates shall be legended in accordance with the Casino Act and this Agreement and shall represent and evidence the interest owned by each Partner and shall bear a legend stating that such Partnership Interests are subject to any restrictions required by the Rivergate Lease and all the terms and conditions of this Partnership Agreement.

3.06 Percentage Share. The Percentage Share which is attributed to each Partner shall be as follows:

Harrah's	33 1/3%
NOLDC	33 1/3%
Grand Palais	33 1/3%.

Such Percentage Shares are subject to revision pursuant to Article 8 hereof.

3.07 Withdrawal of Capital; Loans. No Partner shall have any right to withdraw or make a demand for withdrawal of all or any portion of such Partner's capital (or the amount, if any, reflected in such Partner's Capital Account). No interest or additional share of profits shall be paid or credited to the Partners on their Capital Accounts, or on any undistributed profits or funds left on deposit with the Partnership; provided, however, that nothing herein contained shall be construed to

prevent or prohibit the payment of interest on account of Partner Loans. Any Partner Loans shall not increase a Partner's Capital Account or interest in the profits, losses, or Distributions, but shall be a debt due from the Partnership. No Partner shall make Partner Loans to the Partnership unless such Partner Loans are approved by the Partnership or are made or deemed made pursuant to Section 3.03(c) hereof.

3.08 Capital Accounts

(a) There shall be established for each Partner on the books of the Partnership, as of the date hereof, a capital account (the "Capital Account") reflecting the excess (deficit) of (i) the sum of (A) such Partner's initial Capital Account balance which initial balance reflects the Initial Capital Contributions of such Partner to the Partnership, (B) such Partner's Additional Capital Contributions (if any) to its Capital Account made in accordance with this Agreement, (C) such Partner's share of taxable income and (D) such Partner's share of tax-exempt income of the Partnership over (ii) the sum of (A) such Partner's share of tax losses, (B) such Partner's share of other Partnership expenditures that are not deductible for federal income tax purposes and (C) any Distributions to such Partner, (iii) as adjusted by such Partner's share of income, gain, deduction or loss described in Treasury Regulation Section 1.704-1(b)(2)(iv)(g) to reflect differences between adjusted basis for tax purposes and the value reflected in the Capital Accounts.

(b) Notwithstanding any other provision in this Section 3.08 or elsewhere in this Agreement, each Partner's Capital Account shall be maintained and adjusted in accordance with the Code and the Treasury Regulations, including Treasury Regulation Section 1.704-1(b)(2)(iv). It is intended that appropriate adjustments shall thereby be made to Capital Accounts to give effect to any income, gain, loss or deduction (or items thereof) that is specially allocated pursuant to this Agreement.

(c) A Partner's Capital Account shall be reduced by the fair market value (determined without regard to Code Section 7701(g)) of any property (net of liabilities secured by such property that the Partner is considered to assume or take subject to and determined consistently with Code Section 752(c)) distributed by the Partnership to such Partner, whether in connection with a liquidation of the Partnership or of such Partner's Partnership Interest or otherwise. Accordingly, Capital Accounts shall first be adjusted to reflect the manner in which the unrealized income, gain, loss and deduction inherent in such property (that has not been previously reflected in Capital Accounts) would be allocated, pursuant to Article 4 hereof, among the Partners if there were a taxable disposition of such property for its fair market value (taking Code Section 7701(g) into account) on the date of distribution.

(d) The foregoing provisions and other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulation Section 1.704-1,

and shall be interpreted and applied in a manner consistent with such Treasury Regulation. In the event the Partnership shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto, are computed in order to comply with such Treasury Regulation, the Partnership may make such modification, provided that it will not have a material adverse effect on the amounts distributable to any Partner during the operation of, or upon the dissolution of, the Partnership.

ARTICLE 4

ALLOCATIONS AND DISTRIBUTIONS

4.01 Allocations of Taxable Income. Except as provided in Section 4.08 hereof, taxable income of the Partnership (including any gain realized in a Major Capital Event) shall be allocated among the Partners in accordance with their Percentage Shares.

4.02 Allocations of Tax Loss. Except as provided in Section 4.08 hereof, tax loss of the Partnership (including any loss realized in a Major Capital Event) shall be allocated among the Partners in accordance with their Percentage Shares.

4.03 Timing and Amount of Allocations of Taxable Income and Tax Loss. Taxable income and tax loss of the Partnership

shall be determined and allocated with respect to each fiscal year of the Partnership as of the end of such year. Subject to the other provisions of this Article 4, an allocation to a Partner of a share of taxable income or tax loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing taxable income or tax loss of the Partnership.

4.04 Distributions of Cash Flow and Proceeds of Major Capital Event. Cash Flow and Proceeds of Major Capital Events shall be reserved or distributed as follows:

(a) to establish reserves for: (i) contingent or unforeseen obligations, debts or liabilities of the Partnership which may be deemed reasonably necessary by the Partnership's accountants, (ii) amounts required by any contracts or agreements of the Partnership, or (iii) such other purposes as the Partnership may decide;

(b) to repay any principal and interest on Partner Loans deemed made pursuant to Section 3.03(c) hereof on a first in - first out basis, and if there are more than one Partner Loan made or deemed made pursuant to Section 3.03(c) hereof of equal priority, on a pari passu basis;

(c) to establish the Tax Reserve to be held by the Partnership and distributed in accordance with Section 4.07 hereof;

(d) subject to Section 4.05 hereof, to repayment to the Partners first of any interest due on any Partner Loans other than those made or deemed made pursuant to Section 3.03(c) hereof pari passu in accordance with the total amount of interest outstanding on all such Partner Loans and, second of any principal due on any Partner Loans other than those made or deemed made pursuant to Section 3.03(c) hereof pari passu in accordance with the total amount of principal outstanding on all such Partner Loans, or in such other order of priority as the Partnership shall agree upon at the time any Partner Loan other than those made or deemed made pursuant to Section 3.03(c) hereof is approved by the Partnership; and

(e) subject to Section 4.05 hereof, to the Partners in accordance with their respective Percentage Shares.

4.05 Reallocation of Distribution Priorities

(a) At any time when any Default Loan shall be outstanding, all Distributions pursuant to Sections 4.04 or 15.03 hereof from and after the making of such Default Loan to which the Defaulting Partner would otherwise be entitled shall be considered a Distribution to the Defaulting Partner but shall be paid directly to the Default Lender to be applied first against interest and then against the principal of any Default Loans until the repayment in full of all accrued interest and principal of any Default Loans or an election or elections by any Default Lender pursuant to Sections 8.04(b) or 8.04(c) hereof to increase

the Default Lender's Percentage Share with respect to all Default Loans which have not previously been repaid in full. If there are more than one Default Loans outstanding to a Nondefaulting Partner or Partners, any Distributions to be paid directly to any Default Lender pursuant to this Section 4.05(a) shall be applied to such Default Loans on a first in-first out basis. If there are more than one Default Loans of equal priority, such Distributions shall be applied to such Default Loans on a pari passu basis. Any such amounts so applied to accrued and unpaid interest and then to principal on a Default Loan shall be considered a Distribution to, and deducted from the Capital Account of, the Defaulting Partner to whom such Default Loan was made. At any time when payments are currently due and owing on the NOLDC Loan, Distributions otherwise payable to the Default Lender of a Default Loan to NOLDC shall be paid to NOLDC, but only to the extent that NOLDC in fact applies such Distributions to the repayment of the NOLDC Loan. The Partnership shall make any such payment by a check to the lender of the NOLDC Loan. Any such amounts so applied to the NOLDC Loan shall be considered a Distribution to, and shall be deducted from the Capital Account of, NOLDC.

(b) Where a Distribution is otherwise available to a Partner pursuant to Section 4.04 hereof or Section 15.03 hereof and any such Partner shall owe or have its Partnership Interest encumbered to secure any amount due to any Indemnified Person pursuant to Section 10.02 hereof or Section 10.04 hereof (an "Indemnifying Partner"), such Distribution shall be considered a

Distribution to such Partner but shall be paid directly to the Indemnified Person, subject and subordinate to any rights of a secured Institutional Investor holding a valid and enforceable security interest therein to receive Distributions and the rights of Harrah's pursuant to its security interest in NOLDC's Partnership Interest granted by that certain Harrah's/NOLDC Loan Agreement of even date herewith, until such amount owed under Section 10.02 hereof or Section 10.04 hereof shall have been satisfied; provided that if the Indemnifying Partner also is a Defaulting Partner to whom a Default Loan is outstanding, any Distributions otherwise payable to such Defaulting Partner shall first be applied pursuant to Section 4.05(a) hereof until its Default Loans are repaid and thereafter shall be applied pursuant to this Section 4.05(b). Any such amounts so applied to indemnity obligations or Default Loans shall be considered a Distribution to such Partner and shall be deducted from the Indemnifying Partner's Capital Account.

4.06 Priority and Distribution of Property. Except as provided in Section 4.05 hereof or otherwise expressly provided in this Agreement, no Partner shall have priority over any other Partner as to the return of capital, allocation of income or losses, or distributions of Cash Flow or Proceeds of Major Capital Events or any other Distributions. No Partner shall have the right to demand or receive property other than cash for its Capital Contributions to the Partnership or in payment of its share of Cash Flow, Proceeds of Major Capital Events or other Distributions.

4.07 Distribution of Tax Reserve. Within sixty (60) days after the end of each Partnership fiscal year during which a Tax Reserve has been created, the Partnership shall distribute such Tax Reserve to the Partners, such Distribution to be allocated among the Partners based on each Partner's Percentage Share.

4.08 Additional Allocation Provisions. Notwithstanding the foregoing provisions of this Article 4:

(a) The losses allocated under Section 4.02 hereof to any Partner shall not exceed the maximum amount of losses that can be so allocated without causing such Partner to have an Adjusted Capital Account Deficit at the end of any fiscal year. If some but not all of the Partners would have Adjusted Capital Account Deficits as a consequence of an allocation of losses pursuant to Section 4.02 hereof, then the limitation set forth in this Section 4.08(a) shall be applied so as to allocate the maximum permissible loss to each Partner under the preceding sentence and Treasury Regulation Section 1.704-1(b)(2)(ii)(d). Losses, the allocation of which to any Partner are prohibited under the first sentence of this Section 4.08(a), shall be allocated to the remaining Partners in proportion to their respective Percentage Shares.

(b) Notwithstanding any other provisions of this Section 4.08, if there is a net decrease in Partnership Minimum Gain during any Partnership fiscal year, each Partner shall be

specially allocated items of Partnership income and gain (as specified in Treasury Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2)(i)) for such year (and, if necessary, for subsequent years, as provided in Treasury Regulation Section 1.704-2(j)(2)(iii)) in an amount equal to the portion of such Partner's share of the net decrease in such Partnership Minimum Gain, determined in accordance with Treasury Regulation Section 1.704-2(g)(2). The items of income and gain to be so specially allocated pursuant to this Section 4.08(b) shall be determined in accordance with Treasury Regulation Section 1.704-2(f). This Section 4.08(b) is intended to comply with the minimum gain chargeback requirement of Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(c) Notwithstanding any provision of this Section 4.08 to the contrary (except Section 4.08(b) hereof), if there is a net decrease in Partner Minimum Gain attributable to a "partner nonrecourse debt" (within the meaning of Treasury Regulation Section 1.704-2(b)(4)) during any Partnership fiscal year, each Partner who has a share of the Partner Minimum Gain attributable to such partner nonrecourse debt, determined in accordance with Treasury Regulation Section 1.704-2(i)(5), shall be specially allocated items of Partnership income and gain (as specified in Treasury Regulation Section 1.704-2(j)(2)(ii)) for such fiscal year (and, if necessary, subsequent years, as provided in Regulation Section 1.704-(j)(2)(iii)) in an amount equal to the portion of such Partner's share of the net decrease in Partner Minimum Gain attributable to such partner nonrecourse debt,

determined in accordance with Treasury Regulation Section 1.704-2(g)(2). The items of income and gain to be so specially allocated pursuant to this Section 4.08(c) shall be determined in accordance with Treasury Regulation Section 1.704-2(i)(4). This Section 4.08(c) is intended to comply with the partner minimum gain chargeback requirement of Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(d) Subject to the priority rules of Treasury Regulation Section 1.704-2, if any Partner unexpectedly receives any adjustment, allocation or distribution described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d)(6) that causes or increases an Adjusted Capital Account Deficit with respect to such Partner, items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by Treasury Regulation Sections 1.704-1(b) and 1.704-2, the Adjusted Capital Account Deficit of such Partner as quickly as possible. It is intended that this Section 4.08(d) qualify and be construed as a "qualified income offset" within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(d).

(e) If special allocations are required under Sections 4.08(b), 4.08(c) and/or 4.08(d) hereof in any fiscal year, such allocations shall be made in the priorities required by Treasury Regulation Sections 1.704-1(b) and 1.704-2.

(f) "Nonrecourse deductions" (within the meaning of Treasury Regulation Sections 1.704-2(b)(1) and 1.704-2(c)) for any fiscal year or other period shall be specially allocated to the Partners in proportion to their Percentage Shares. "Partner nonrecourse deductions" (within the meaning of Treasury Regulation Section 1.704-2(i)) for any fiscal year or other period shall be specially allocated to the Partner who bears the economic risk of loss with respect to the "partner nonrecourse debt" (within the meaning of Treasury Regulation Section 1.704-2(b)(4)) to which such partner nonrecourse deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i).

(g) As used herein, the following terms shall have the following meanings associated with them:

(i) The term "Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any in such Partner's Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

(A) Add to such Capital Account the following items: (1) the amount, if any, which such Partner is obligated to contribute to the Partnership upon liquidation of such Partner's interest; and (2) the amount which such Partner is deemed to be obligated to restore to the Partnership pursuant to the penultimate sentences of Treasury Regulation Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(B) Subtract from such Capital Account such Partner's share of the items described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6).

(ii) The term "Partnership Minimum Gain" shall have the meaning set forth in Treasury Regulation Sections 1.704-2(b) and 1.704-2(d).

(iii) The term "Partner Minimum Gain" means an amount, with respect to each "partner nonrecourse debt" (within the meaning of Treasury Regulation Section 1.704-2(b)(4)), equal to the Partnership Minimum Gain that would result if such partner nonrecourse debt were treated as a "nonrecourse liability" (within the meaning of Treasury Regulation Sections 1.704-2(b)(3) and 1.752-1 (a)(2)), determined in accordance with Treasury Regulation Section 1.704-2(i).

(h) The Partners acknowledge that all Distributions (including distributions upon liquidation of the Partnership) are intended to be made in accordance with the priorities set forth in Sections 4.04, 4.05 and 15.03 hereof and that the Partners' Capital Accounts are intended to reflect the manner in which such distributions are intended to be made. The allocations set forth in Sections 4.08(a) (last sentence), 4.08(b), 4.08(c), 4.08(d) and/or 4.08(e) hereof (the "Regulatory Allocations") are intended to comply with certain requirements of Treasury Regulation Sections 1.704-1(b) and 1.704-2, but may result in distortions of

the Partners' Capital Accounts in relation to the Distributions that each Partner is intended to receive from the Partnership. Notwithstanding the provisions of Sections 4.01, 4.02, 4.03 and 4.08 hereof (other than the Regulatory Allocations), the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Partners so that, to the extent possible, at any point in time the Partners' Capital Accounts shall reflect the manner in which Distributions would be made to the Partners if the Partnership were liquidated and the proceeds of such liquidation were distributed to the Partners in accordance with Section 15.03 hereof.

(i) For any fiscal year during which (i) a Partner's Partnership Interest is assigned by such Partner (or by an assignee or successor in interest to a Partner) or (ii) a Partner's Percentage Share changes, the portion of the taxable income and tax loss of the Partnership that is allocable in respect of such Partner's Transferred or modified Partnership Interest shall be apportioned between the assignor and the assignee of such Partner's Partnership Interest, in the case of an assignment, or allocated, as otherwise provided in this Article 4, in the case of a change in Percentage Shares, on the basis of a monthly interim closing of the Partnership's books (with all items prorated equally to each day of such month), without regard to any payments or distributions made to the Partners before or after such assignment or change, except as otherwise provided in and required by Code Section 706(d)(2);

provided that in any event any assignments or Transfers of any Partnership Interest shall be subject to the provisions of Article 6 hereof.

(j) Amounts paid to a Person who is deemed a partner for federal income tax purposes shall be treated as either payments to a partner not acting as a partner under Code Section 707(a) or as guaranteed payments under Code Section 707(c). In the event that any amount claimed by the Partnership to constitute a deductible expense in any fiscal year is treated for federal income tax purposes as a distribution made to a Partner (or a Person deemed to be a partner for federal income tax purposes) in its capacity as a partner of the Partnership and not a guaranteed payment as defined in Code Section 707(c) or a payment to a Partner not acting in its capacity as a partner under Code Section 707(a), then the Partner (or other Person) who is deemed to have received such distribution shall first be allocated an amount of Partnership gross income equal to such payment, its Capital Account shall be reduced to reflect the distribution, and for purposes of this Article 4, taxable income and tax loss shall be determined after making the allocation required by this Section 4.08(j).

(k) Notwithstanding any other provision of this Agreement, allocations of items for book and tax purposes and adjustments to the Partners' Capital Accounts shall be made in accordance with the provisions of Treasury Regulation Sections 1.704-1(b) and 1.704-2. In particular, as required by Treasury

Regulation Section 1.704-1(b)(4)(i), income, gain, loss and deduction for tax purposes with respect to Partnership property revalued on the Partnership's books and records shall be shared among the Partners so as to take account of the variation between the adjusted tax basis of such property and its book value in the same manner as variations between the adjusted tax basis and fair market value of property contributed to a partnership are to be taken into account in determining the Partners' shares of tax items under Code Section 704(c).

(l) Notwithstanding the foregoing provisions of this Article 4, income, gain, loss and deduction with respect to property contributed to the Partnership by a Partner shall be shared among the Partners, pursuant to Treasury Regulations promulgated under Code Section 704(c), so as to take account of the variation, if any, between the basis of the property to the Partnership and its fair market value at the time of contribution.

(m) In the event that the Code or any Treasury Regulations promulgated thereunder require allocations of items of income, gain, loss, deduction or credit different from those set forth in this Agreement, upon the advice of the Partnership's counsel or accountants, the Partners shall make new allocations in reliance upon the Code, the Treasury Regulations and such advice of the Partnership's counsel or accountants.

4.09 Guaranteed Payments

(a) If any Partner or its Affiliate has been required to pay to the Landlord a portion of its Profit (as Profit and Affiliate are defined in the Temporary Casino Lease and in the Rivergate Lease) upon a sale, assignment, transfer or other disposition of any ownership interest in such Partner or its Affiliate pursuant to Section 24.1 of the Rivergate Lease or Section 24.1 of the Temporary Casino Lease, upon a subsequent sale or other disposition of the Temporary Casino or Permanent Casino, as the case may be, which results in a credit to the Partnership against payments to Landlord pursuant to Section 4.8 of the Rivergate Lease or Section 4.8 of the Temporary Casino Lease, as the case may be, such Partner shall receive a guaranteed payment in an amount equal to the credit received by the Partnership against the amount paid by the Partnership to the Landlord pursuant to Section 22.2 of the Rivergate Lease or Section 22.2 of the Temporary Casino Lease in respect of such subsequent sale or other disposition; provided that if the guaranteed payment as a result of such subsequent sale or other disposition is less than the amount of the previous payment to the Landlord by a Partner, any remaining amount of such previous payment shall be paid as a guaranteed payment to such Partner upon any sales or dispositions by the Partnership thereafter until such Partner has received guaranteed payments equal to the full amount of such previous payments. If any guaranteed payments are due to more than one Partner pursuant to this Section 4.09(a), such guaranteed payments shall be made pari

passu to such Partners from the proceeds of any such subsequent sale or other disposition.

(b) To the extent a Partner does not receive reimbursements of costs and expenses of Three Million Dollars ($3,000,000) as provided in Section 3.01(c) hereof, such Partner shall receive a guaranteed payment in an amount equal to the difference between the amount actually received pursuant to Section 3.01(c) hereof and Three Million Dollars ($3,000,000). Such guaranteed payment shall be determined without regard to the income of the Partnership and shall constitute a guaranteed payment pursuant to Section 707(c) of the Code. Such guaranteed payment shall be payable from the first Cash Flow or Proceeds of Major Capital Event available to the Partnership.

4.10 Unpermitted Payments, Distributions and Reimbursements. Notwithstanding any other provision in this Agreement, the Partners agree that no payment, Distribution or reimbursement shall be made by the Partnership to any Partner if and to the extent any such payment, Distribution or reimbursement would be in violation of any gaming law, rule or regulation, or administrative determination applicable to such Partner or the Partnership and such Partner shall be otherwise subject to any other remedies as shall be required by applicable law.

ARTICLE 5

DECISIONS AND MANAGEMENT

5.01 Management

(a) Except as provided in Section 5.01(c) hereof, management and control of the Partnership shall be vested in the Executive Committee pursuant to this Section 5.01. Except as otherwise provided in Sections 5.01(f) and (h) hereof, all decisions arising under this Agreement shall require Unanimous Approval. No Partner shall hold itself out as having actual or apparent authority to bind the Partnership without first obtaining Unanimous Approval. The Partnership shall act through a nine (9) member executive committee (the "Executive Committee") appointed and acting pursuant to the following procedures:

(i) Each Represented Group shall appoint three (3) natural persons to be members on the Executive Committee (the "Representatives"). If any Represented Group fails at any time to have at least one of its three (3) Representatives duly appointed to the Executive Committee, such Represented Group shall forfeit its right to representation on the Executive Committee until such time as such Represented Group appoints at least one (1) natural person to be a Representative. Each Represented Group shall have the right to replace any Representative appointed by such Represented Group at any time at its sole discretion by written notice to the Material Partner(s)

who are members of the other Represented Groups. One Representative of each three (3) Representative group representing a Represented Group on the initial Executive Committee shall be a member of a minority group.

(ii) Each three (3) member group of Representatives representing a Represented Group on the Executive Committee shall be obligated to vote as a block and shall be controlled by a majority vote of such group of three Representatives.

(iii) The Representatives may adopt by-laws to govern the conduct of the Executive Committee.

(iv) Any Representative may participate in any duly noticed meeting through the use of any means of communication by which all Representatives participating may simultaneously hear and speak to each other during the meeting. A Representative participating in a meeting by this means shall be deemed to be present in person at such meeting.

(v) Any action required or permitted to be taken by the Executive Committee may be taken without a meeting if the action is taken by at least two (2) Representatives of each three (3) member group of Representatives. Any such action shall be evidenced by one or more written consents describing the action taken, signed by at least two (2) Representatives appointed by each Represented Group, and included in Partnership records

reflecting such action. Any such action shall be effective when the last required Representative signs the consent, unless the consent specifies a different effective date.

(vi) Any Representative may waive any notice requirement of this Section 5.01 before or after the date and time stated in such notice. Except as provided below, a Representative's waiver must be in writing, signed by such Representative and included in Partnership records with respect to such meeting. A Representative's attendance at or participation in a meeting waives any required notice to such Representative unless the Representative objects at the beginning of the meeting to holding the meeting or to transacting business at the meeting and does not thereafter vote for or assent to action taken at such meeting.

(vii) No Person other than the Material Partners who are members of any Represented Group shall have Control of, or the right to select, more than one Representative of any three (3) member group of Representatives on the Executive Committee unless the Partner Group Representatives of the remaining Represented Groups otherwise unanimously agree. If any Partner Group no longer has a Material Partner as a member of its Partner Group, such Partner Group shall no longer be entitled to have representation on the Executive Committee. Following any suspension of a right of representation by a Material Partner which is a Defaulting Partner pursuant to Section 8.01(e) hereof, such Represented Group of which such Material Partner is a member

shall no longer be entitled to representation on the Executive Committee until such time as the Event of Default is cured.

(viii) Unless otherwise agreed by the Partnership, all meetings of the Executive Committee shall be held in the City between 9:00 a.m. and 4:00 p.m. on any Tuesday, Wednesday or Thursday which is a Business Day. Any Represented Group may call a meeting of the Executive Committee upon not less than three (3) days advance notice from a Material Partner who is a member of such Represented Group to the Material Partners who are members of each other Represented Group. If no Representatives of a Represented Group appear at a duly noticed meeting, or if all Representatives of a Represented Group who do appear abstain from voting at a duly noticed meeting, Unanimous Approval shall be deemed to mean the unanimous consent of those Represented Groups whose Representatives appear at such duly noticed meeting and who vote at such duly noticed meeting of the Executive Committee. Members of Represented Groups may vote by proxies for any other members of their three (3) member group of Representatives on the Executive Committee. A Represented Group shall be deemed to have appeared at a duly noticed meeting of the Executive Committee if at least one Representative appointed by such Represented Group appears at such meeting and at least two (2) of its three (3) Representatives are represented in person or by proxy.

(b) The Represented Groups, acting in accordance with Section 5.01(a) hereof, shall have the power and authority to

carry out all Partnership purposes, including (without limitation) to do any of the following:

(i) enter into such sales agreements, construction agreements, leases, licenses, easements, servitudes, rights of way, covenants, conditions or restrictions, agreements with other landowners, construction contracts, set aside agreements, or other contracts, agreements, documents, or arrangements with respect to all or any portion of the Property or the other Partnership assets, whether or not such arrangements (including renewal terms) shall extend beyond the date of the termination of the Partnership, at such rental or amount, or for such consideration, and upon such terms, as it deems proper;

(ii) incur any debts, liabilities or obligations or enter into any contracts or agreements on behalf of the Partnership or binding upon the Partnership;

(iii) make and revoke any election permitted the Partnership by any taxing authority;

(iv) obtain the Permanent/Temporary Casino Financing or otherwise borrow money for Partnership purposes and as security therefor to mortgage, pledge, hypothecate or encumber all or any part of the Property or other assets of the Partnership, and to repay, prepay, refinance, increase, modify, recast, consolidate or extend, in whole or in part, all such loans and indebtedness, as and when it shall see fit and enter

into any loan agreements, notes, mortgages, financing statements, assignment of rents, guarantees, letters of credit, or other documents, agreements, security arrangements or other arrangements in connection therewith, and any such mortgages or security agreements may contain a confession of judgment, pact de non alienado, waiver of delay and appraisement and all other security clauses usual and customary in the State, or to incur any obligation in respect of any of the foregoing;

(v) acquire rights, title or interests in, manage, maintain and improve all or any portion of the Property consistent with the purposes of the Partnership;

(vi) do all acts they deem necessary, appropriate, incidental or convenient for the operation, development, management, disposition, improvement, protection or preservation of the Project;

(vii) obtain and keep in force such forms of insurance in such amounts, and upon such terms and with such carriers, as they shall determine or as otherwise required by law or by contract;

(viii) employ, engage or contract with Persons for the operation, development, management, disposition, improvement, protection or presentation of the Partnership business, including but not limited to, land managers, construction managers, property managers, casino managers, appraisers, consulting

engineers, architects, contractors, developers, agents, insurance brokers, real estate brokers, leasing agents, loan brokers, accountants and attorneys, on such terms, for such compensation and pursuant to any such contracts or agreements as determined by the Partnership;

(ix) establish reserve funds for Partnership purposes from revenues derived from Partnership operations or from financing, refinancing, sales or other dispositions of the Property or any of the Partnership assets;

(x) enter into agreements, options or any other arrangements for the lease, sale, exchange or other disposition of all or any portion of the Property or any of the Partnership assets;

(xi) execute, acknowledge, deliver and perform any and all deeds, agreements, documents and instruments to effectuate the foregoing, including any agreements with the City and the State;

(xii) pursue the LEDGC Proposal and any other bids or proposals to develop and operate the Project, on such terms as the Partnership shall approve;

(xiii) obtain, maintain and perform all necessary permits, licenses, rezoning, variances, conditional use permits, consents, approvals or entitlements from LEDGC, the City, the

State, or any other federal, state, parish or municipal authority or any governmental or quasi-governmental entity necessary for the development and use of the Property in connection with the Project;

(xiv) perform the obligations of the Partnership under, or to terminate, amend or modify, the Management Agreement, the Rivergate Lease, the Temporary Casino Lease, the Open Access Program established pursuant to the Rivergate Lease, the General Development Agreement with the RDC pursuant to the Rivergate Lease, or the Casino Operating Contract;

(xv) other than admission of transferees of Partners in connection with any Transfer made in accordance with Article 6 hereof, admit any additional or substitute Partners to the Partnership or approve any Transfer to any such additional or substitute Partner on such terms and conditions as the Partnership shall determine;

(xvi) determine the suitability of a proposed transferee pursuant to Section 6.01 hereof;

(xvii) approve any item of an Operating Budget, the Temporary Casino Project Budget, the Permanent Casino Project Budget, the Remaining Property Project Budget, the Temporary Casino Conceptual Plans or Permanent Casino Conceptual Plans, except for items permitted without Partnership approval under Section 5.01(c) hereof;

(xviii) commence, discontinue, settle, compromise, submit to arbitration, defend or participate in any actions in the nature of legal proceedings as to Partnership matters in any court, before any governmental agency, or in arbitration, other than actions arising out of the ordinary course of business and as specifically provided herein; and

(xix) make any other decisions affecting the business and affairs of the Partnership, including, but not limited to, the development, financing, refinancing, sale or leasing of the Property.

(c) Notwithstanding Sections 5.01(a) and 5.01(b) hereof:

(i) Harrah's shall have exclusive authority to act as developer and control the Permanent/Temporary Casino Financing and the construction and development of the Temporary Casino, including administering contractors, consultants, architects, engineers, attorneys or other third party firms in connection therewith on behalf of the Partnership, and Harrah's may make changes in the Temporary Casino Project Budget and the Temporary Casino Conceptual Plans so long as such changes are not the result of any Material Change Orders;

(ii) Harrah's shall have exclusive authority to act as developer and control the Permanent/Temporary Casino Financing and the construction and development of the Permanent

Casino, including administering contractors, consultants, architects, engineers, attorneys or other third party firms in connection therewith on behalf of the Partnership, and Harrah's may make changes in the Permanent Casino Project Budget, and the Permanent Casino Conceptual Plans so long as such changes are not the result of any Material Change Orders;

(iii) Manager will have the exclusive authority to operate the Temporary Casino and Permanent Casino pursuant to the Management Agreement; and

(iv) Harrah's will be the tax matters partner of the Partnership, provided that all material tax elections will be made by the Partnership.

(d) "Major Decision" shall mean decisions of the Partnership to:

(i) incur (A) the Permanent/Temporary Casino Financing or (B) any other debt, liability or obligation not provided for in the Operating Budget or the Temporary Casino Project Budget or the Permanent Casino Project Budget and which involves an amount in excess of One Hundred Million Dollars ($100,000,000) in the aggregate;

(ii) terminate the Manager or the Management Agreement or to hire any new manager for the Temporary Casino or for the Permanent Casino or to enter into any new management

agreement or amendment of the Management Agreement for the Temporary Casino or the Permanent Casino;

(iii) sell, assign, transfer, hypothecate, pledge, lease, encumber or otherwise dispose of all or any substantial portion of the Property or to enter into any agreement to do so;

(iv) commence, discontinue, settle, compromise, submit to arbitration, defend or participate in any actions in the nature of legal proceedings in any court, before any governmental agency, or in arbitration, other than actions arising out of the ordinary course of business and as specifically provided herein, involving any potential liabilities to, or claims by or against, the Partnership not provided for in the Operating Budget or the Temporary Casino Project Budget or the Permanent Casino Project Budget and which involve in excess of Seventy-Five Million Dollars ($75,000,000); and

(v) terminate or, enter into, amend or modify the Casino Operating Contract, the Rivergate Lease or the Temporary Casino Lease in any manner which has a material adverse economic effect on the Partnership, which for the purposes of this provision shall be an economic effect of One Hundred Million Dollars ($100,000,000) or more.

(e) Decisions which require Unanimous Approval but which shall not be subject to the dispute resolution provisions of Article 12 hereof are decisions to:

(i) invest in any business or project other than the Temporary Casino, the Permanent Casino, the Assembled Real Estate and the November Real Estate;

(ii) enter into the Casino Operating Contract, the Rivergate Lease, the Temporary Casino Lease or the General Development Agreement with the RDC pursuant to the Rivergate Lease;

(iii) other than admission of transferees of Partners in connection with any Transfer made in accordance with Article 6 hereof, admit any additional or substitute Partners to the Partnership or approve any Transfer to any such additional or substitute Partner on such terms and conditions as the Partnership shall determine;

(iv) except as provided in Section 15.01 hereof, terminate or dissolve the Partnership, or merge the Partnership into another entity;

(v) subject to the provisions of Section 5.01(i) hereof, amend or modify the Partnership Agreement pursuant to Section 17.09(a) hereof;

(vi) adopt by-laws of the Executive Committee; and

(vii) permit a Partner Loan other than pursuant to Section 3.03(c) hereof.

(f) A decision of the Partners to elect to continue the Partnership on the same basis as provided in this Partnership Agreement following the dissolution of any Partner, the bankruptcy of any Partner, or the occurrence of any other event requiring the dissolution of the Partnership under the laws of the State pursuant to Sections 15.01(e), 15.01(f) or 15.01(g) hereof shall be by majority vote of the remaining Partners whose Partnership Interests entitle them to at least a majority of the Percentage Shares. Any such decision shall not be subject to the dispute resolution provisions of Article 12 hereof.

(g) In the event of any failure of Unanimous Approval with respect to any Partnership decision other than as provided in Sections 5.01(e) and 5.01(f) hereof, an arbitration shall be available pursuant to Section 12.02 hereof. In the event of any failure of Unanimous Approval with respect to a Major Decision, in addition to such arbitration the buy/sell remedy shall be available pursuant to Section 12.01 hereof.

(h) Grand Palais agrees that (i) it shall not participate in any decisions of the Partnership with respect to riverboat or dockside gaming in the State and (ii) it shall not directly or indirectly through Affiliates, agents or other Persons engage in any lobbying activities with respect to dockside gaming in the State or any amelioration of the currently

existing laws or regulations of the State, the City or any regulatory body with jurisdiction within the State requiring riverboats to limit access according to established cruising schedules. No Partners shall participate in any decisions of the Partnership in connection with any claims, arbitration, litigation, or other adversary proceedings, between the Partnership and Affiliates of any Partner that are Controlled by, under common Control with or, Controlling such Partner. Without limiting the foregoing, Harrah's agrees that it shall not participate in any decisions of the Partnership with respect to approval of the Operating Budget or arbitration thereof pursuant to Article 20.02 of the Management Agreement or the determination to declare a default of Manager or exercise remedies against Manager under the Management Agreement; provided that nothing herein shall limit or restrict the Manager's rights of approval or action pursuant to the Management Agreement. In each case set forth in this Section 5.01(h), the Representatives appointed by each applicable Partner shall not be entitled to vote on such matters, and resolutions of the Executive Committee may be adopted with respect to such matters without the vote of such Representatives; provided, however, if any Partner shall have a right to initiate a buy/sell pursuant to Section 12.01 hereof in connection with any Partnership decision which is subject to this Section 5.01(h), all Represented Groups shall have the right to exercise a buy/sell with respect to such decision whether or not any Partner Group had the right to participate in such decision as a result of this Section 5.01(h).

(i) A decision of the Partnership to modify or amend the Partnership Agreement pursuant to Section 17.09(a) hereof shall be by the unanimous written consent of the Material Partners provided that no amendment or modification may be made without the prior written consent of such Partner if the effect of such amendment or modification shall be adversely to change the economic rights of any Partner.

(j) The Partners agree that fewer than all of the Partners may commence an involuntary proceeding under either chapter 7 or 11 of the Bankruptcy Code, Title 11 of the United States Code; provided that any such involuntary case may only be commenced upon the consent of at least two Material Partners one of which shall be Harrah's until such time as any Completion Guaranty (as defined in the Completion Loan Agreement) shall have been satisfied and released.

5.02 Budget

(a) The Partnership shall pay all costs and expenses incurred by the Partnership for all of the Partnership's costs of designing, leasing, renovating, constructing, financing, equipping, furnishing, licensing and opening the Temporary Casino as described on one or more budgets for the Temporary Casino as approved by the Partnership (as it may from time to time be modified by the Partnership, collectively and separately the "Temporary Casino Project Budget"). The Partnership shall pay all costs of acquiring, designing, leasing, renovating,

constructing, financing, equipping, furnishing, licensing and opening the Permanent Casino, demolishing existing structures at the site of the Permanent Casino, and acquiring the Assembled Real Estate and November Real Estate and ancillary property pursuant to one or more budgets for the Permanent Casino as approved by the Partnership (as it may from time to time be modified by the Partnership, collectively and separately the "Permanent Casino Project Budget"). The Partnership shall pay all costs and expenses of designing, leasing, renovating, constructing, financing, equipping, furnishing and opening any development on that portion of the Assembled Real Estate and November Real Estate that is excluded from the Rivergate Lease, pursuant to one or more budgets as approved by the Partnership (as it may from time to time be modified by the Partnership, collectively and separately the "Remaining Property Project Budget").

(b) The costs set forth in the Temporary Casino Project Budget together with any Material Change Orders or other changes approved by the Partnership and additional changes not requiring such approval are referred to herein as the "Temporary Casino Project Costs". The costs set forth in the Permanent Casino Project Budget together with any Material Change Orders and other changes approved by the Partnership and additional changes not requiring such approval are referred to herein as the "Permanent Casino Project Costs". The costs set forth in the Remaining Property Project Budget together with any Material Change Orders or other changes approved by the Partnership and

additional changes not requiring such approval are referred to herein as the "Remaining Property Project Costs." The Partnership shall pay the Temporary Casino Project Costs, the Permanent Casino Project Costs and the Remaining Property Project Costs as such costs are incurred.

5.03 Compensation. No Partner or Affiliate Controlled by, under common Control with, or Controlling such Partner shall receive any compensation for its activities as Partner or otherwise from the Partnership except (i) charges and fees paid to Manager under the Management Agreement, (ii) fees payable to designees of Christopher B. Hemmeter and NOLDC or its permitted designee pursuant to consulting agreements of even date herewith, (iii) amounts payable pursuant to the Completion Loan Agreement, and (iv) as otherwise approved by the Partnership.

5.04 Transactions with Related Parties. The fact that a Partner or an Affiliate thereof, or a stockholder, director, officer, member, or employee of a Partner or an Affiliate thereof, is employed by, or is directly or indirectly interested in or connected with, any Person, firm, or corporation which may be employed by the Partnership to render or perform a service, or from which the Partnership may purchase any property, shall not prohibit the Partnership from employing such Person, firm or corporation, or otherwise dealing with him or it, provided such employment or dealing is on a basis which is fair to the Partnership, is disclosed to all Partners in advance, and is approved in writing by the Partnership. The Partners hereby

agree and consent to the compensation and other agreements referenced in Section 5.03 hereof.

5.05 Partner Groups

(a) If any portion of the Partnership Interest of Harrah's, NOLDC or Grand Palais is Transferred, the transferor and all direct and indirect transferees shall be treated as a single Partner Group (the "Partner Group") for the purposes expressly set forth in this Agreement. To the extent any of Harrah's, NOLDC or Grand Palais retains its entire Partnership Interest, such Partner shall constitute its Partner Group. To the extent that any Material Partner acquires any additional Partnership Interest, such Material Partner's Partner Group prior to such acquisition together with any such acquired Partnership Interest, shall constitute a single Partner Group. If any portion of the Partnership Interest of any Partner is Transferred to a Partner other than a Material Partner, the transferee shall remain a member of its Partner Group with respect to its Partnership Interest before such Transfer and of the Partner Group of its transferor with respect to the Partnership Interest acquired in such Transfer.

(b) It shall be the sole responsibility of the members of each Partner Group to designate in writing to the Partnership a single natural person with full power and authority to accept notice on behalf of, or otherwise act on behalf of, each Partner Group (the "Partner Group Representative"); provided that the

Partner Group Representative shall not act in lieu of or have any powers of any Representative. Any act, approval or consent of a Partner Group Representative shall be deemed to be the act, approval or consent of the Partner Group which designated such Partner Group Representative, and neither the Partnership nor any Partner shall be required to inquire into the authority of such Partner Group Representative as to such act, approval or consent on behalf of the Partner Group that designated such Partner Group Representative. Each such Partner Group Representative shall be appointed by an irrevocable power of attorney coupled with an interest, a duplicate of which shall be filed with the Partnership, and in connection with any Transfer as may be permitted pursuant to this Agreement, as a condition to the effectiveness of such Transfer such power of attorney for such Partner Group Representative shall be affirmed by the transferee or a new irrevocable power of attorney coupled with an interest shall be filed with the Partnership. Any such Partner Group Representative may be replaced by a successor Partner Group Representative by notice to the other Partner Groups and designation of a substitute for such Partner Group Representative. Until another Representative is appointed, the Partner Group Representatives of the Partner Groups shall be those natural persons to whose attention notices must be sent on behalf of the Partner Groups pursuant to Section 13.03 hereof.

(c) If any Partner Group contains more than one Material Partner, such Represented Group must select a single Partner Group Representative pursuant to Section 5.05(b) hereof

and a single group of three (3) Representatives to be appointed to the Executive Committee pursuant to Section 5.01 hereof.

(d) Each Partner and its permitted transferees agree to hold, save and defend each other Partner and their permitted transferees free and harmless from any liability whatsoever arising out of the such Partner's and their permitted transferees' reliance on any statement or act by such Partner's Representatives or Partner Group Representative, regardless of whether the relying party has any knowledge that another party objects to said action.

ARTICLE 6

TRANSFERS AND ASSIGNMENT

6.01 Restrictions on Transfers

(a) Except as specifically provided in Sections 6.02 and 6.03 hereof and subject to Sections 6.01(b), 6.01(d), 6.01(e), 6.04, and 6.05 hereof, any Partner or any other Holding Entity may, directly or indirectly, (i) sell, assign, transfer, hypothecate, pledge, encumber or otherwise dispose of all or any portion of its Partnership Interest or its ownership interest in any Holding Entity, (ii) merge or consolidate with or into any other entity, or (iii) liquidate, wind up, or dissolve itself (collectively, a "Transfer") without prior approval or consent of

any other Partner; provided that income, voting or other rights of a Partner may not be divided other than in connection with a Transfer of a Percentage Interest to a new Partner or existing Partner or a pledge of Distributions.

(b) All Transfers which LEDGC is authorized by law to consider shall require a prior suitability determination of LEDGC. Where LEDGC is not authorized by law to consider a Transfer, refuses to consider a Transfer on grounds of administrative discretion granted by applicable law, or otherwise fails to consider a Transfer, such Transfer shall not be permitted without the prior written approval of each Material Partner other than the Material Partner containing the interest to be Transferred as to the gaming suitability of the transferee; provided, however, that no Material Partner approval shall be required if the proposed transferee:

(i) (A) has been and continues to be determined suitable and licensed or otherwise approved or entitled to conduct gaming by the applicable state gaming regulatory agency in any of Colorado, Illinois, Mississippi, Nevada or New Jersey, and (B) there are no administrative, investigative or judicial proceedings pending by any such state gaming regulations agency pursuant to which any civil or criminal penalty may be imposed on such Person or an Affiliate that is Controlled by, under common Control with, or Controlling such Person, or any license, permit, approval, contract or entitlement of such Person or an Affiliate that is Controlled by, under common Control with, or Controlling

such Person has been suspended, revoked, terminated, not renewed, not granted or rescinded, such matters set forth in the foregoing clauses (A) and (B) to be confirmed in writing to the Partnership by a letter from the applicable state gaming regulatory agency or other evidence reasonably satisfactory to the remaining Material Partners;

(ii) is an entity which is an Institutional Investor or has been approved by LEDGC;

(iii) acquires an ownership interest in a Public Transfer which is exempt from a suitability determination by LEDGC or has been waived from a suitability determination by LEDGC; or

(iv) acquires a Transferred Partnership Interest as a result of a reorganization, merger or other business combination of one or more Partner that results in no new beneficial owners of the Partnership and following which the aggregate net worth of the Partner(s) so reorganizing, merging or otherwise combining is equal to or greater than the aggregate net worth of such Partner(s) prior to the reorganization, merger or other combination.

(c) In approving any Transfer requiring approval pursuant to Section 6.01(b) hereof, the Material Partners shall only disapprove such Transfer if they reasonably determine that the proposed transferee does not comply with the LEDGC

suitability standards or reasonably determine that the proposed transferee would jeopardize any gaming or alcoholic beverage license, permit, approval or other entitlement of such Material Partner. Such decision shall not be unreasonably delayed after the delivery of all reasonably requested documents. A decision to approve such a Transfer shall not preclude a subsequent buy/sell or Appraisal Buyout pursuant to Article 11 hereof in the event such transferee is subject to the provisions of Article 11 hereof.

(d) Notwithstanding any provision of this Article 6, the Partners agree that none of Harrah's, NOLDC or Grand Palais or their successors or assigns or any direct or indirect transferee of its initial Partnership Interest may make a Transfer such that at any time initial Partnership Interest of each of Harrah's, NOLDC and Grand Palais shall be divided into more than three (3) parts with the effect that at no time shall there be more than nine (9) Partners.

(e) Except for (i) Transfers to any lender, (ii) Transfers pursuant to Article 8 hereof, (iii) Transfers to any Partner or any Affiliate of any Partner that is Controlled by, under common Control with, or Controlling such Partner, (iv) Transfers of any asset group more than fifty percent (50%) of the value of which is attributable to assets other than the interest in the Partnership being Transferred, and (v) Transfers pursuant to Section 6.01(b)(iv) hereof, no Partner shall Transfer all or any portion of its Partnership Interest without first notifying

the Material Partners that it is interested in making such Transfer and negotiating in good faith for sixty (60) days with any such Material Partner with respect to such Transfer and shall notify such Partner within ten (10) days of receipt of the notice from such Partner that such Material Partner has an interest in entering into such negotiations.

6.02 Right of First Refusal

(a) In the case of a Transfer to a Disqualified Buyer by any Partner other than Harrah's or any Holding Entity of any Partner other than an Affiliate of Harrah's that is Controlled by, under common Control with, or Controlling such Partner, such Transfer may be made only subject to a right of first refusal pursuant to this Section 6.02 and only for an all cash price.

(b) If a Partner other than Harrah's or an Affiliate that is Controlled by, under common Control with, or Controlling Harrah's desires to Transfer its Partnership Interest or portion thereof or if any Person owning an interest in a Holding Entity of any Partner other than Harrah's that is Controlled by, under common Control with, or Controlling such Partner desires to Transfer any legal or beneficial interest in any such Holding Entity (such legal or beneficial interest in a Holding Entity, the "Offered Interest") to a Disqualified Buyer, it may Transfer such Partnership Interest or Offered Interest if such Partner desiring to Transfer its Partnership Interest or the Partner in which such Holding Entity directly or indirectly owns an interest

first offers for sale to the Material Partners the right at the election of such Material Partners to purchase any of (A) in the case of a proposed Transfer of a Partnership Interest, such Partnership Interest, or (B) in the case of proposed Transfer of an interest in a Holding Entity, the Offer Related Partnership Interest.

(i) Such first refusal offer shall be made in writing setting forth at a minimum the cash purchase price, timing, method of payment and financing terms, if any, on which the Partner proposes to Transfer the offered Partnership Interest or the Holding Entity proposes to Transfer the Offered Interest and shall state the name of the prospective transferees and all Persons having a legal or beneficial interest therein, if any, who have indicated a willingness to be a transferee on such terms and conditions. At the election of the Partner making the first refusal offer, such offer may set forth any other terms and conditions of the prospective transferee's offer.

(ii) In the case of a proposed Transfer of an interest in a Holding Entity, the first refusal notice shall also set forth the Appraised Value (and it shall be the responsibility of the offering Partner to initiate the appraisal procedures of Article 9 hereof to determine such Appraised Value), and the Offer Related Partnership Interest, and the calculation of the corresponding price for the Offer Related Partnership Interest (the "Offer Related Partnership Interest Price"). The Offer Related Partnership Interest Price shall be calculated as

follows: (A) the Appraised Value of the assets of the Partnership shall be treated as the hypothetical sales proceeds for distribution under Section 15.03 hereof and the amount which would be distributed to such offering Partner or in respect of the Offer Related Partnership Interest on liquidation shall be calculated, (B) all debts on the portion of the Partnership Interest or the Offer Related Partnership Interest being Transferred shall be deducted from such hypothetical sales proceeds which would be distributed to the offering Partner.

(iii) If any Material Partner elects to acquire the Offer Related Partnership Interest, it shall pay the Offer Related Partnership Interest Price to the Partner in which such Holding Entity directly or indirectly owns an interest. Such Partner may at its election redeem the Offered Interest with such payment but whether or not such redemption is made, in no such event may such Holding Entity Transfer such Offered Interest to any Person other than such Partner.

(c) Such Material Partner shall have a first refusal right for fifteen (15) days after the date of the receipt of the first refusal offer pursuant to Section 6.02(b) hereof to elect by written notice to the other Material Partner and the offering Partner to elect as specified in the notice of election to acquire either the offered Partnership Interest or the Offer Related Partnership Interest on the same terms and conditions as those set forth in such first refusal offer and in the case of an

Offer Related Partnership Interest at the price set forth in the first refusal notice.

(d) If more than one Material Partner timely give notice of an election to acquire the offered Partnership Interest or the Offer Related Partnership Interest, such electing Material Partner shall each acquire a pro rata portion of the offered Partnership Interest or the Offer Related Partnership Interest, as the case may be, in accordance with their Exercising Partner's Percentage Share.

(e) For the purposes of this Section 6.02, a Partner or Holding Entity may not grant to a Disqualified Buyer an option or contingent contract to purchase a Partnership Interest or Offered Interest without the Partner offering to grant the other Material Partners a right of first refusal pursuant to this Section 6.02 with respect to such option or contingent contract for the Partnership Interest or Offer Related Partnership Interest, as the case may be.

(f) Unless one or more Material Partner shall exercise the right to acquire the offered Partnership Interest or the Offer Related Partnership Interest by notifying the offering Partner and the other Material Partners of its or their election to do so within fifteen (15) days of receiving such offer, accepting a conveyance of the offered Partnership Interest or the Offer Related Partnership Interest and making payment therefor on the price and terms offered to the Material Partner, such

offering Partner may, or if a Holding Entity is involved, the Holding Entity owning the Offered Interest may, within a period of six (6) months from the date of such first refusal offer, dispose of the offered Partnership Interest or Offered Interest upon terms and conditions no more favorable to the prospective purchaser than those set forth in such first refusal offer. Where more than one Material Partner elect to exercise their first refusal rights, if a Material Partner fails to close on its portion of the acquisition, any other electing Material Partner shall, by written notice to the other Material Partner within an additional twenty (20) day period, either elect to purchase the entire offered Partnership Interest or Offer Related Partnership Interest without any further participation by the Material Partner that failed to close or elect not to proceed further with the first refusal. Such closing shall occur on a date within said additional twenty (20) day period as designated in said notice by the Material Partner making such election to close.

(g) Following the failure of any Material Partner to elect to purchase an offered Partnership Interest or Offer Related Partnership Interest pursuant to Section 6.02(c) hereof, if no disposition is made on the terms specified in such offer within the six (6) month period, or if a disposition is proposed on terms less favorable to the offering Partner or Holding Entity than the terms specified in such offer within the six (6) month period, an offering Partner or Holding Entity desiring to Transfer such offered Partnership Interest or Offered Interest

must reinstitute the procedure set forth in this Section 6.02 prior to any Transfer to a Disqualified Buyer.

(h) Notwithstanding Section 6.02(a) hereof, Grand Palais, free of any first refusal requirements but subject to the requirements of Section 6.01(b) hereof, Section 6.04 hereof and Section 6.05 hereof, may: (i) acquire, as the surviving corporation in a merger or by asset acquisition, any entity that is a Disqualified Buyer; (ii) acquire or be acquired by NOLDC; or (iii) be acquired by, or merged into, any Affiliate of Grand Palais (including Hemmeter Enterprises, Inc.) that is not owned or controlled in whole or in part by any Disqualified Buyer which Affiliate may also acquire NOLDC; provided that this exception shall apply only so long as Grand Palais owns the Transferred Partnership Interest and shall not apply to any subsequent Transfers of any Partnership Interest that has been Transferred by Grand Palais.

(i) Notwithstanding Section 6.02(a) hereof but subject to Section 6.01(b) hereof, Section 6.04 hereof and Section 6.05 hereof, any Partner or Holding Entity of any Partner may Transfer its Offered Interest to any Person, or agree to do so, free of any first refusal requirements:

(i) in a Public Transfer of an interest in a Partner or a Holding Entity; or

(ii) pursuant to a Public Offering of an interest in a Partner or a Holding Entity in which the Partner or Holding Entity and the underwriters of such Public Offering do not promote, and such Partner or Holding Entity has no knowledge of, at the time of the Public Offering, the acquisition of such Offered Interest by a Disqualified Buyer.

(j) The provisions of this Section 6.02 shall not apply to Holding Entities (i) which own a direct or indirect beneficial interest of less than five percent (5%) of the Partnership and where such proposed transferee would not following such Transfer be in Control of the Partnership or any three (3) member group of Representatives, or (ii) where at least fifty percent (50%) (in fair market value) of the assets of such Holding Entity are assets other than its direct or indirect beneficial interest in the Partnership and where such proposed transferee would not following such Transfer be in Control of the Partnership or any three (3) member group of Representatives.

6.03 Grant of Security Interest

(a) Subject to Sections 6.01, 11.03 and 16.07 hereof, any Partner shall have the right, without the consent of the other Partners but with notice to the Represented Groups, to grant a security interest in, pledge or encumber all or any portion of its Partnership Interest or in any Distributions to be made by the Partnership but, in such event, the party to or with whom such grant of security interest is made shall not become a

substitute Partner but shall only be entitled to receive the Distributions applicable to such Partnership Interest, subject to the prior rights of the Partnership and other Partners under the provisions of this Agreement, and the documents pursuant to which the interest in such Distributions has been assigned, pledged or encumbered shall so provide. Such Person to whom a security interest is granted may not be, or be Controlled by, a Disqualified Buyer. Prior to the grant of any such security interest, the Executive Committee shall be provided a copy of the documents creating such security interest for its review and shall be entitled to require changes thereto for the sole purpose of conforming such documents to the provisions of this Agreement.

(b) The Partnership agrees to provide the lender of any such loan a copy of any notice of default to any such lender, and to accept performance by any such lender of any obligations under this Agreement in the place of the Partner to whom it has made such loan after any default by such Partner in the performance of its obligations under this Agreement; provided that such performance shall not entitle such lender to admission to the Partnership except in accordance with the terms of this Agreement.

(c) Subject to compliance with Sections 6.01(b), 6.01(d) and 6.04 hereof, the Partners hereby consent to the grant of a security interest by NOLDC in its Partnership Interest to secure the NOLDC Loan.

(d) Subject to compliance with Sections 6.01(b) and 6.04 hereof, the Partners consent to any purchaser at a foreclosure sale of any security interest becoming a Partner in the Partnership so long as such Purchaser is not a Disqualified Buyer.

6.04 Conditions on Transfers

(a) No Transfer by a Partner of all or any part of its Partnership Interest permitted to be made under this Article 6 shall be binding on the non-assigning Partners or on the Partnership unless (i) the transferee shall execute and acknowledge an instrument, in form reasonably satisfactory to the Material Partners, whereby it agrees to assume and be bound by all of the covenants, terms and conditions of this Agreement as it may be amended from time to time and makes on its own behalf each of the representations and warranties contained in Section 10.01 hereof, or, in the case of a grant of security interest, pledge or encumbrance, the transferee executes and acknowledges an instrument, in form reasonably satisfactory to the Material Partners, whereby it acknowledges that its security interest, pledge or encumbrance is subject to all of the covenants, terms and conditions of this Agreement as it may be amended from time to time, (ii) a duplicate original of each instrument of transfer, assumption, grant of security interest, pledge or encumbrance (and any related loan documents), duly executed in each case, is delivered to the Material Partners, (iii) the transferee shall (if required) execute and acknowledge an

agreement amending the Partnership Agreement in order to reflect such change or take any other action that may be required in connection therewith, including provisions whereby the transferee acknowledges the provision of Section 6.05 hereof, (iv) the transferee shall pay all reasonable expenses of the Partnership in connection with such Transfer, including, but not limited to, the cost (including reasonable attorneys' fees) of preparing the agreement referred to in subsection (iii) above and reviewing any documents pursuant to Section 6.04(g) hereof, and (v) unless such Transfer is made pursuant to Section 6.01(b)(iv) hereof, the transferor shall have cured all of its defaults and repaid all of its Default Loans.

(b) Except as otherwise expressly provided in this Agreement, all Transfers made in accordance with this Article 6 shall be subject to any liens created pursuant to Section 10.03 hereof to secure indemnity obligations and further subject to any then existing indemnity obligations pursuant to Article 10 hereof with respect to the Transferor and the Transferor's Partnership Interest.

(c) Upon any Transfer of a Partnership Interest (excluding any grant of security interest, pledge or encumbrance) made in accordance with this Article 6, and provided that the provisions of this Article 6 are complied with, (i) the Transferring Partner shall be relieved of all of its obligations under or in respect to the Partnership and this Agreement thereafter accruing, except for any indemnity obligations

pursuant to Article 10 hereof with respect to matters occurring prior to the date of such Transfer, and (ii) the transferee shall be admitted as a substitute Partner in the Partnership in the place and stead of the Transferring Partner and shall own the Transferred Partnership Interest subject to any indemnity or other obligations of the Transferring Partner under this Agreement with respect to matters occurring prior to the date of such Transfer.

(d) In the event of any permitted Transfer of a Partnership Interest or interest in a Holding Entity, a duly authorized member of the Executive Committee shall, upon the request of the Transferring Partner or Partner in which such Holding Entity owns a direct or indirect interest, execute such reasonable documentation as may be required to confirm that such Transfer is permitted.

(e) A purported Transfer shall be null and void at its inception unless such Transfer shall comply with the provisions of this Article 6.

(f) Anything herein to the contrary notwithstanding, no Transfer shall be made under this Article 6 which would effect a termination or dissolution of the Partnership for tax purposes or otherwise create adverse tax consequences to the Partnership or result in any violations of securities laws. In connection with any proposed Transfer, the transferee, at its sole expense, shall provide the Material Partners with a satisfactory legal

opinion of counsel, addressed to the Partnership and the Partners, and satisfactory to the Material Partners confirming that (i) there is no and will not be any termination, dissolution, change in tax status of the Partnership or other adverse tax consequences as a result of such Transfer, (ii) there is no and will not be any violations of any securities laws as a result of such Transfer and (iii) any agreements executed pursuant to Section 6.01(a) hereof shall be valid, binding and enforceable.

(g) As to Transfers pursuant to a Public Offering, each of the Material Partners will have rights to join in any Public Offering of any other Partner on a basis which is reasonably acceptable to the underwriters for the Public Offering, and each of the Material Partners will have the right to review and comment on the prospectus and other offering materials for fifteen (15) days as to an initial review, or for a reasonable period of time under the circumstances as to an amendment to such materials for such Public Offering to assure that there is no misrepresentation or omission of facts which would in any manner mischaracterize or misrepresent, intentionally or otherwise, facts concerning the Partnership, such Material Partner or any Affiliates that are Controlled by, under common Control with, or Controlling such Material Partner. The Partner initiating the Public Offering shall indemnify the Partnership and all other Partners against all loss, cost and damage relating to its Public Offering and shall deliver such assurance as the Partnership or its legal counsel may reasonably

request to assure that there is no adverse tax or other liability as a result of such Public Offering to the Partnership or the Material Partners.

(h) Except in respect of Transfers described in Section 6.02(h) hereof, if a Partner who was not a Disqualified Buyer at the time it initially acquired a Transferred Partnership Interest subsequently indicates its intent to operate any casino gaming business, or actually operates any such casino gaming business, then: (i) if such Partner is a non-Material Partner, it shall immediately forego its right to receive any Partnership information regarding marketing strategies or methods of operation or any proprietary information; or (ii) if such Partner is a Material Partner, the Partners who are members of the Partner Group of which such Partner is a member shall immediately forgo their right to receive competitive or gaming sensitive Partnership information and the Partner Group Representatives representing such Partner is a member shall immediately forego their right to vote with respect to any decisions of the Partnership related to any competitive or gaming sensitive matters. If any Partner shall challenge the right of the Partnership to withhold such Partnership information regarding marketing strategies or methods of operation or any proprietary information, other than a challenge to determine what constitutes such information, each Material Partner shall have the option to initiate an appraisal buyout of the Partner making such challenge to be exercised in the manner of Section 8.05 hereof with the purchase price to be the lower of the Appraisal Buyout Price

calculated using one hundred percent (100%) of Appraised Value or the actual acquisition cost of such non-Material Partner, or such Material Partner and any other Partners in the Partner Group of which such Material Partner is a member, as the case may be. Any such option to initiate any such Appraisal Buyout shall be effective only at such time as the Partnership shall have been required pursuant to a final adjudication to provide such information to any such Partner.

6.05 Limit on Transferability. Any Represented Group as to which a Transfer occurs may only make or permit such Transfer on the condition that the transferee shall have rights of management or control in respect of the Partnership only through its Represented Group as set forth in Section 5.05 hereof.

ARTICLE 7

EVENTS OF DEFAULT

7.01 Events of Default. It shall be an event of default (an "Event of Default") if any one or more of the following events shall occur:

(a) a Monetary Default;

(b) except for any Events of Default set forth in any of Sections 7.01(a), 7.01(c), 7.01(d), 7.01(e), 7.01(f), 7.01(g) and 7.01(h) hereof, the failure of any Partner to perform any of its other obligations under this Agreement or the breach by any Partner of any of the other terms, conditions or covenants of this Agreement or the failure of any representation or warranty in this Agreement to be true in all material respects and a continuation of such failure or breach for more than thirty (30) days after written notice by any Nondefaulting Partner to the Defaulting Partner that such Partner has failed to perform any of its obligations under, or has breached, this Agreement; provided, that no Event of Default shall exist hereunder if (i) such default is not capable of being cured within such thirty (30) days, (ii) such default is capable of cure in a longer period of time, (iii) such default is not also a default under any of the Temporary Casino Lease, Rivergate Lease or Casino Operating Contract and, (iv) cure of such default has been promptly commenced within such thirty (30) days and such cure is thereafter diligently and expeditiously prosecuted to completion, but in no event shall any cure period under this Agreement for any default be longer than the cure period provided in the Temporary Casino Lease, Rivergate Lease or Casino Operating Contract for such default;

(c) a case or proceeding shall be commenced by any Partner seeking relief under any provision or chapter of the federal Bankruptcy Code or any other federal or state law relating to insolvency, bankruptcy or reorganization; an

adjudication that any Partner is insolvent or bankrupt; the entry of an order for relief under the federal Bankruptcy Code with respect to any Partner; the filing of any such petition or the commencement of any such case or proceeding against any Partner, unless such petition and the case or proceeding initiated thereby are dismissed within ninety (90) days from the date of such filing; the filing of an answer by any Partner admitting the allegations of any such petition; the appointment of a trustee, receiver or custodian for all or substantially all of the assets of any Partner unless such appointment is vacated or dismissed within ninety (90) days from the date of such appointment but not less than five (5) days before the proposed sale of any assets of any Partner; the execution by any Partner of a general assignment for the benefit of creditors; the convening by any Partner of a meeting of its creditors, or any class thereof, for purposes of effecting a moratorium upon or extension or composition of its debts; except in the case of a holder of a permitted security interest in a Partnership Interest, the levy, attachment, execution or other seizure of all or substantially all of the assets of any Partner or any Partner's Partnership Interest, except as otherwise provided in Section 6.03 hereof, where such seizure is not discharged within thirty (30) days thereafter; or the admission by any Partner in writing of its inability to pay its debts as they mature or that it is generally not paying its debts as they become due;

(d) the failure of any Partner to make payment or perform any other obligation in connection with any purchase

arising under Sections 6.02 or 8.03 hereof for a period of five (5) days after notice from the Partner or Represented Group, as the case may be, to whom payment or performance was due or to whom the Transfer was to be made;

(e) if any Partner or an Affiliate of such Partner is required to qualify or be found suitable under gaming laws of the State and such Partner (or such Affiliate) does not so qualify or is not found so suitable, or if it becomes so qualified or is found so suitable and it fails to remain so, or if it is found unsuitable or unqualified under such gaming laws; provided that no Event of Default shall exist hereunder if a cure provision is available under the Casino Act or any rule or regulation promulgated thereunder and the default is cured within such cure period;

(f) the dissolution of any Partner other than as permitted under Section 6.01(a) hereof;

(g) any Transfer in violation of Article 6 hereof by a Partner or by a Holding Entity of any Partner; provided that no Event of Default shall exist hereunder if a cure provision is available under the Casino Act or any rule or regulation promulgated thereunder and the default is cured within such cure period, or, if no cure period is available, if the default is not cured within thirty (30) days; or

(h) the attempted withdrawal of any Partner from the Partnership other than in connection with any Transfer not in violation of Article 6 hereof; provided that in the case of Section 6.01(b) hereof no Event of Default shall exist hereunder if a cure provision is available under the Casino Act or any rules or regulations promulgated thereunder and the default is cured within such cure period.

ARTICLE 8

REMEDIES

8.01 Remedies. Upon the occurrence of any Event of Default with respect to any Partner (the "Defaulting Partner") which shall not have been cured prior to an election by any one or more Material Partners which is not a Defaulting Partner (the "Nondefaulting Partners") under this Section 8.01, any Nondefaulting Partner may elect to do one or more of the following by written notice of such election to the Defaulting Partner:

(a) in the case of a Monetary Default, (i) if the default is by a Material Partner, (A) advance money to the Defaulting Partner, (B) at any time after the expiration of thirty (30) days from the occurrence of such Monetary Default, exercise any buy/sell remedy as provided in Section 8.03 hereof, or (C) exercise any Default Loan and dilution rights as provided

in Section 8.04 hereof, (ii) if the default is by a non-Material Partner, advance money to the Defaulting Partner, exercise any buy/sell remedy as provided in Section 8.03 hereof, exercise any Default Loan and dilution rights as provided in Section 8.04 hereof, or elect to exercise the Non-Material Partner Appraisal Buyout remedy as provided in Section 8.06 hereof or (iii) in either case, exercise any rights provided in Section 3.03(c) hereof;

(b) if the Event of Default occurs pursuant to Section 7.01(g) hereof, the Nondefaulting Partners may specifically enforce their rights to acquire the Offered Interest or the Offer Related Partnership Interest;

(c) together with any other Nondefaulting Partner, wind up the affairs of, and dissolve, the Partnership, or sell the Property and any other assets of the Partnership, as provided in Section 15.01 hereof, with the proceeds of such liquidation to be applied as provided in Section 15.03 hereof;

(d) enforce any covenant by the Defaulting Partner to advance money (including, without limitation, the contribution of a negative Capital Account balance) or to take or forbear from any other action hereunder;

(e) following any Event of Default pursuant to any of Sections 7.01(c), 7.01(e) and 7.01(f) hereof as to any Partner, suspend any right of the Partner Group of which a Defaulting

Partner is a member to be a Represented Group and to be entitled to be represented on the Executive Committee until such time as the Event of Default is cured; provided that the rights of such Partner Group, with respect to amendments and modifications of the Partnership Agreement as specified in Section 5.01(e)(v) hereof shall not be so suspended; or

(f) pursue any other remedy permitted at law or in equity.

8.02 Choice of Remedies

(a) From and after the date a Nondefaulting Partner has elected to exercise any remedy pursuant to Section 8.01 hereof, such exercise of remedies may be continued thereafter by the Nondefaulting Partner regardless of whether the Defaulting Partners thereafter cures such Event of Default.

(b) The election to pursue any other remedies pursuant to Section 8.01 hereof may be made alone or in combination with any other remedies; provided that a buy/sell pursuant to Section 8.03 hereof, an Appraisal Buyout pursuant to Section 8.05 hereof or a Non-Material Partner Appraisal Buyout pursuant to Section 8.06 hereof, as the case may be, may not be pursued simultaneously against any one Partner Group or Defaulting Partner, as the case may be.

(c) Nothing contained herein shall limit any rights to sue a Partner Group or Defaulting Partner, as the case may be, for amounts owing to the Partnership hereunder, or for any other breach of this Agreement. A Defaulting Partner shall have no right to demand the immediate valuation and payment of its Partnership Interest.

(d) In any action against a Defaulting Partner for a failure to make any Initial Capital Contribution pursuant to Section 3.01 hereof or any Additional Capital Contribution pursuant to Section 3.03 hereof or in any levy or enforcement of any judgment against a Defaulting Partner for any such failure to contribute, the recovery against such Defaulting Partner may include any assets of such Defaulting Partner but shall not include any taking or Transfer of such Defaulting Partner's Partnership Interests other than any Transfer as may occur pursuant to any exercise of rights under Sections 8.03, 8.04, 8.05 or 8.06 hereof.

(e) Upon any Transfer of a Partnership Interest pursuant to Sections 8.03, 8.04, 8.05 or 8.06 hereof, the transferee shall acquire the Partnership Interest free and clear of any lien or security interest with respect to such Partnership Interest; provided that nothing herein shall restrict or impair the lien of any lender holding any such security interest to any proceeds payable to the Partner so Transferring its Partnership Interest or any right of such lender to receive directly such proceeds.

8.03 Buy/Sell

(a) The provisions of this Section 8.03 may be exercised (i) by a Nondefaulting Partner pursuant to Section 8.01(a) hereof as to either the Partner Group if a Material Partner is the Defaulting Partner or as to the Defaulting Partner if a non-Material Partner is the Defaulting Partner, (ii) by a Material Partner pursuant to Section 11.02 hereof as to either the Partner Group if a Material Partner is the Defaulting Partner or as to the Defaulting Partner if a non-Material Partner is the Defaulting Partner, and (iii) by a Material Partner pursuant to Section 12.01 hereof as to any Partner Group. In any case where a Material Partner exercises a buy/sell pursuant to Section 8.01(a) hereof, the Material Partner shall have the option to offer in such buy/sell its entire Partnership Interest or a portion of its Partnership Interest containing a Percentage Share equal to the Percentage Share of the Defaulting Partner or Partner Group, as the case may be. If such Defaulting Partner or Partner Group, as the case may be, has a Percentage Share greater than the Percentage Share of the Material Partner exercising the buy/sell, the Material Partner shall offer its entire Partnership Interest in the buy/sell.

(b) Any Material Partner eligible to elect a buy/sell pursuant to Section 8.03(a) hereof may, by written notice to the Partner Group or Partner, as the case may be, with respect to which the buy/sell is being exercised and any other Material Partners, establish a gross sales price for the Partnership

("Partnership Price"), which shall be the price to be used in the calculation procedures set forth in Section 8.03(e) hereof. The Material Partner first to exercise its right under this Section 8.03 shall be the Electing Partner for the purposes of this Section 8.03. Any offer made pursuant to this Section 8.03(b) shall be the "Offer". Any Material Partner other than the Electing Partner and the Partner or Partner Group with respect to whom such buy/sell has been exercised shall be a Remaining Partner for the purposes of this Section 8.03, so long as such Material Partner is not a Defaulting Partner.

(c) A Remaining Partner shall have the option for ten (10) days after notice of the Offer is given by the Electing Partner to the other Material Partners to participate in the Offer made by the Electing Partner. If a Remaining Partner by written notice to the other Material Partners within said ten (10) day period elects to join the Electing Partner in the Offer, such Material Partners shall participate in the buy/sell pursuant to this Section 8.03(b) on a pro rata basis in accordance with each such Exercising Partner's Percentage Share. If any Remaining Partner does not by timely written notice to the other Material Partners elect to join the Electing Partner in the Offer, such Remaining Partner shall have no right of participation in the buy/sell pursuant to this Section 8.03(b). If more than one Material Partner elect to exercise this buy/sell right concurrently, each shall act jointly with the other exercising Material Partners and shall participate in the buy/sell pursuant to this Section 8.03 on a pro rata basis in

accordance with each such Material Partner's Exercising Partner's Percentage Share. The Material Partner(s) participating in the Offer shall be the "Offeror".

(d) The Electing Partner shall in the notice of the Offer (i) designate the Partner Group or Partner, as the case may be, with respect to which the buy/sell is being exercised (the "Offeree"), (ii) state the Partnership Price, (iii) summarize in reasonable detail the calculations described in Section 8.03(e) hereof which determine the terms on which the Offeror would be willing either (A) to purchase from the Offeree the Offeree's Partnership Interest or (B) to sell to the Offeree the Offeror's Partnership Interest, and (iv) state the liabilities to be assumed pursuant to Section 8.03(g) hereof. The notice of the Offer may designate any date, so long as such date is not more than ninety (90) days prior to the date such notice of the Offer is given and no later than the date on which the buy/sell closes, as to the effective date on which the hypothetical liquidation pursuant to Section 8.03(e) hereof shall occur. If the Offeror shall become a Defaulting Partner at any time after making an Offer, the buy/sell initiated pursuant to such Offer shall terminate. Where more than one Material Partner are participating in the buy/sell remedy, if any of such Material Partners becomes a Defaulting Partner, the remaining Nondefaulting Partners may proceed with the buy/sell without any further participation by any Material Partner which becomes a Defaulting Partner.

(e) For purposes of calculating the Partnership Price payable to the Offeror or Offeree, the Partnership Price shall be treated as hypothetical proceeds of liquidation pursuant to Section 15.03 hereof, and the portions of such hypothetical proceeds which would be respectively distributed to each of the Offeror and the Offeree under Section 15.03 hereof (assuming that all debts and liabilities of the Partnership to third parties (including any loans or advances that may have been made by any Partner to the Partnership) shall be paid from such hypothetical proceeds or assumed by the purchasing Partner(s)) shall be calculated (as well as any negative Capital Account balance of the Offeror and the Offeree which would result in such hypothetical liquidation). The portion so calculated of such hypothetical proceeds that the Offeree would receive for its Partnership Interest (including any amounts as are payable to the Offeree in respect of Default Loans pursuant to Section 8.04 hereof or in respect of indemnity obligations pursuant to Section 10.02 and 10.04 hereof) shall be defined as the "Net Partnership Price" of the Offeree. The portion so calculated of such hypothetical proceeds that the Offeror(s) would receive for its Partnership Interest(s) (including any amounts as are payable to the Offeror(s) in respect of Default Loans pursuant to Section 8.04 hereof or in respect of indemnity obligations pursuant to Sections 10.02 and 10.04 hereof) shall be defined as the "Net Partnership Price" of the Offeror(s). If the Offeror or Offeree, as the case may be, would have a negative Capital Account and be required to pay the amount of such negative Capital Account to the Partnership pursuant to Section 15.03 hereof in connection

with such hypothetical liquidation, the amount of such negative Capital Account shall be the "Net Partnership Price" as to such Offeror or Offeree. The Partners understand and agree that in such circumstances, the Net Partnership Price applicable to an Offeror or Offeree will require a payment from the selling Partner or Partner Group(s), as the case may be, to the buying Partner or Partner Group(s), as the case may be, rather than a payment from the buying Partner or Partner Group(s) to the selling Partner or Partner Group(s) as the case may be.

(f) From the date the notice of the Offer is given, the Offeree shall have sixty (60) days to notify the Offeror(s) of its election either to purchase the Partnership Interest of the Offeror(s) or to sell its own Partnership Interest at the prices so offered.

(i) If the Offeree determines to purchase the Partnership Interest of the Offeror(s), the Offeree shall serve written notice of such election specifying a closing date for such purchase not more than ninety (90) days from the date of such notice of election (including the escrow period) within which it must purchase the Partnership Interest of the Offeror(s) at the Net Partnership Price of the Offeror(s) as calculated above.

(ii) If the Offeree determines to sell its Partnership Interest, it shall give written notice of such election to the Offeror(s), who shall, within ten (10) days of

the Offeree's election, designate a closing date for such sale not more than ninety (90) days thereafter and shall purchase the Partnership Interest of the Offeree at the Net Partnership Price of the Offeree as calculated above.

(iii) If the Offeree does not elect either to buy or sell within the thirty (30) day period referred to above, the Offeror(s) may elect to buy the Partnership Interest of the Offeree and the Offeror(s) shall have the ten (10) days following expiration of such thirty (30) day period in which to designate a closing date for such purchase not more than one hundred twenty (120) days from the date of such deemed election.

(iv) If the Partnership Interest of Harrah's is being purchased, the notice of offer or election, as the case may be must state whether the purchaser will elect to acquire the interest of Manager and must request the Partnership's accountants to determine the appraised value of such interest as provided in Section 17.02 of the Management Agreement. If such election is made, the purchaser shall purchase the interests of Harrah's and Manager simultaneously.

(g) The closing of the purchase and sale contemplated by Section 8.03(f) hereof shall be subject to the following terms and conditions:

(i) The closing shall occur at the offices of the Partnership at 9:00 a.m. on the date specified on the notice of

the Offer or the next succeeding Business Day which is also a Tuesday, Wednesday or Thursday.

(ii) The Net Partnership Price for any purchase and sale pursuant to Section 8.03(f) hereof and purchase price for the interest of Manager, if applicable, shall be paid in cash at the closing. Costs of any sale of a Partnership Interest, including recording fees, escrow costs, if any, and other fees (but not attorneys' fees) shall be divided equally between the Offeror(s) and the Offeree.

(iii) At the closing of the purchase of a Partnership Interest pursuant to this Section 8.03(g), the Partnership and the buying Partner(s) or Partner Group, as the case may be, shall save, protect, defend, indemnify, and hold harmless the selling Partner(s) or Partner Group, as the case may be, from all debts and liabilities owed by the Partnership to third parties but the selling Partner(s) or Partner Group, as the case may be, shall not be relieved of any of their indemnity obligations pursuant to Article 10 hereof for liabilities arising out of events occurring prior to or during the period any selling Partner was a Partner in the Partnership.

(iv) A Partner Group or Partner selling its Partnership Interest pursuant to Section 8.03(f) hereof shall deliver all appropriate documents of Transfer at closing and shall convey its Partnership Interest to the buying Partner Group(s) or Partner, or its nominee or their respective nominees,

free and clear of all liens, claims, encumbrances or other charges of any kind whatsoever. In the event the Partnership Interest is conveyed to any such nominee or nominees of the buying Partner Group(s) or Partner, the admission of such nominee or nominees to the Partnership as a successor to the selling Partner Group(s) or Partner shall occur, and for all purposes shall be deemed to have occurred immediately prior to the transfer by the selling Partner Group(s) or Partner of its Partnership Interest.

(v) From and after the closing of any such sale of a Partnership Interest, the selling Partner Group(s) or Partner shall have no further interest in the assets, profits or management of the Partnership and shall not be responsible for any of the obligations or losses of the Partnership, and all obligations of the Partnership to the selling Partner Group(s) or Partner, including all capital accounts, loans and advances, shall be deemed satisfied and discharged, but the selling Partner Group(s) or Partner shall not be relieved of any indemnity obligations pursuant to Article 10 hereof for liabilities arising out of events occurring prior to or during the period any selling Partner was a Partner in the Partnership.

(h) If the buying Partner Group(s) or Partner shall fail to close a purchase pursuant to Section 8.03(g) hereof, the selling Partner Group(s) or Partner may, in addition to any other rights hereunder, elect to purchase the buying Partner Group(s)' or Partner's Partnership Interest at the Net Partnership Price

which would otherwise have been payable to the buying Partner Group(s) or Partner pursuant to Section 8.03(e) hereof. Where more than one Partner Group or Partners are buying Partner Groups or Partners and one such buying Partner Group or Partners shall fail to close a purchase under Section 8.03(g) hereof, any other buying Partner Group or Partners shall, by written notice to the other participating Partner Groups or Partners within an additional twenty (20) day period, elect either to act as the Buying Partner for the entire purchase without any further participation by the Partner Group or Partners that failed to close or elect not to proceed with the purchase. Such closing shall occur on a date at the expiration of said additional twenty (20) day period as designated in said notice by the Partner Group or Partners making such election to close.

8.04 Advances; Buy-Down

(a) If a Defaulting Partner shall have failed to make any Capital Contribution pursuant to either Section 3.01 or Section 3.03 hereof, any Nondefaulting Partner may, but shall not be obligated to, advance to the Partnership on behalf of the Defaulting Partner the amount of all or any part of such delinquency, with each such advance to be treated as a loan by the Nondefaulting Partner to the Defaulting Partner (a "Default Loan").

(i) Any Nondefaulting Partner may elect to make a Default Loan at any time until six (6) months after the later to

occur of the date of a call for Additional Capital Contributions pursuant to Section 3.03 hereof or the date on which a cash deficiency occurs as a result of a failure of a Partner to contribute pursuant to Section 3.03 hereof. Any Nondefaulting Partner first to exercise its right under this Section 8.04(a) shall be the Electing Partner for the purposes of this Section 8.04. If more than one Nondefaulting Partner concurrently exercise their rights under this Section 8.04(a), all such concurrently electing Nondefaulting Partners shall jointly be the Electing Partner. The Electing Partner shall promptly give written notice to the Defaulting Partner and any other Material Partners of making such advance to the Partnership.

(ii) Any Material Partner(s) other than a Defaulting Partner and the Material Partner first electing to make a Default Loan, so long as it is not a Defaulting Partner, shall be a Remaining Partner for the purposes of this Section 8.04. Any Remaining Partner shall have the option for ten (10) days after such notice is given to join the Electing Partner and participate in the Default Loan. If any Remaining Partner elects by written notice to the other Material Partners within the said ten (10) day period to participate in the Default Loan, such Remaining Partner shall, upon such election, advance to the Electing Partner an amount so that such Remaining Partner shares in such Default Loan with the Electing Partner pro rata in accordance with its Exercising Partner's Percentage Share. If such Remaining Partner does not give timely written notice of such election to join the Electing Partner, such Remaining

Partner shall have no right to participate in such Default Loan. The Nondefaulting Partner(s) participating in the Default Loan shall be the "Default Lender".

(iii) Each separate advance by a Default Lender shall be a separate Default Loan. The amount of each such advance to the Partnership shall be credited to the Capital Account of the Defaulting Partner.

(iv) Each Default Loan shall be (i) for a term of two (2) years, and (ii) bear interest, payable monthly, at a fixed rate equal to the greater of (A) the then Prime Rate plus three percent (3%) or (B) nine and one-quarter percent (9 1/4%) per annum, but in no event greater than the maximum rate permitted by applicable law, from the date of such Default Loan to the earlier of the date of payment in full by the Defaulting Partner or the date of the Default Lender's exercise of its rights pursuant to Sections 8.04(b) or 8.04(c) hereof.

(v) The Defaulting Partner shall have two (2) years after the making of any Default Loan within which to repay the principal amount of such Default Loan (provided that any portion of a Default Loan in connection with an Additional Capital Contribution pursuant to Section 3.03 hereof attributable to NOLDC shall have no stated maturity, and shall remain outstanding until paid by the application of Distributions otherwise distributable to NOLDC in accordance with Section 4.05 hereof). Any interest payable by the Defaulting Partner on any

Default Loan shall be paid directly to the Default Lender by the Defaulting Partner and any such payment shall not affect either the Nondefaulting Partners' or the Defaulting Partner's Capital Accounts.

(vi) Upon the payment in full of the principal of and all accrued interest on a Default Loan within such two (2) year period (or with respect to NOLDC with respect to a Default Loan in connection with an Additional Capital Contribution pursuant to Section 3.03 hereof at any time) or pursuant to Sections 8.04(b) or 8.04(c) hereof, the Defaulting Partner's default, with respect to which a Default Loan was made, shall be deemed cured. The making of a Default Loan shall not be deemed to cure an Event of Default with respect to which a Default Loan has been made, and such cure may be made only in the manner set forth in the immediately preceding sentence or in Sections 4.05(a), 8.04(b) and 8.04(c) hereof.

(b) If the Defaulting Partner fails to repay the Default Lender(s) with respect to any one or more Default Loan within the two (2) year period referred to in Section 8.04(a)(v) hereof, any Default Lender may, at any time after the expiration of such two (2) year period elect, by written notice (the "Conversion Notice") with respect to all or any portion of the Default Loans from such Default Lender to the Defaulting Partner to increase such Default Lender's aggregate Percentage Share and decrease the Defaulting Partner's Percentage Share as of the date

of the Conversion Notice as herein set forth with respect to such Default Lender's portion of any such outstanding Default Loan.

(i) The Default Lender that delivered the Conversion Notice shall, as to its portion of any Default Loan, increase its aggregate Percentage Share (but not to exceed one hundred percent (100%)) by a percentage derived from a fraction, the numerator of which equals one hundred ten percent (110%) of all outstanding principal and interest of the Default Loan being converted and the denominator of which equals the positive amount the Defaulting Partner would receive upon a hypothetical liquidation of the Partnership treating one hundred percent (100%) of Appraised Value of the assets of the Partnership as hypothetical sales proceeds for distribution under Section 15.03 hereof (assuming all debts and liabilities of the Partnership to third parties, including any loans or advances permitted or required under the terms of this Agreement or approved by the Partnership that may have been made by any of the Partners to the Partnership, shall have been paid from such hypothetical sales proceeds) and that any gain or loss realized from such hypothetical sale shall have been allocated to the Partners' Capital Accounts. If such hypothetical liquidation of the Partnership results in a negative Capital Account for the Defaulting Partner, the Default Lender shall acquire all of the Percentage Interest of the Defaulting Partner upon any such conversion and the Defaulting Partner shall remain liable to restore such negative Capital Account balance. If the Default Lender consists of more than one Partner, such Partners shall

share such increased Percentage Interest pro rata in accordance with their respective Exercising Partner's Percentage Share. If the Defaulting Partner's Percentage Share is decreased to zero as a result of any conversion pursuant to this Section 8.05(b), the Defaulting Partner shall thereupon cease to be a Partner in the Partnership and the Defaulting Partner shall remain liable to restore any negative Capital Account balance resulting from such hypothetical liquidation. The Defaulting Partner shall have its Percentage Share correspondingly decreased by the amount by which the Default Lender's Percentage Share is increased.

(ii) The Partners acknowledge that Capital Contributions will be of critical importance to the Partnership, and the Partners further acknowledge that the value of Capital Contributions or Default Loans made to Partners who have failed to make Capital Contributions is not readily ascertainable as of the date hereof and a reasonable estimate of such value is achieved by the formula contained in Section 8.04(b)(i) hereof. Such formula reflects such estimate of the Partners, and is not intended to be a penalty.

(iii) Upon such recalculation and the corresponding adjustments of Percentage Shares, if all of the Default Loan has been converted pursuant to this Section 8.04(b), the Event of Default associated with the Default Loan with respect to which such adjustments were made shall be deemed cured as of the date of such conversion.

(c) Notwithstanding anything to the contrary contained in Section 8.04(b) hereof, in the event that any Percentage Shares are adjusted as set forth in Section 8.04(b) hereof, and the Defaulting Partner's Percentage Share, as readjusted, is equal to zero (0), then the Default Lender shall have the right (but not the obligation), in its or their sole discretion, either to (i) admit to the Partnership as an additional Partner of the Partnership a nominee of the Default Lender, and to deem the Defaulting Partner to have Transferred its remaining Partnership Interest to such nominee (instead of increasing the Default Lender's Percentage Share by such amount), whereupon the Defaulting Partner will cease to be a Partner in the Partnership, and to have any Partnership Interest and such Partner shall not be relieved of any indemnity obligations pursuant to Article 10 hereof for liabilities arising out of events occurring prior to or during the period any selling Partner was a Partner in the Partnership, or (ii) if, after the exercise of the dilution remedy in Section 8.04(b) hereof no other Partner remains, take all steps necessary to dissolve and wind up the affairs of the Partnership, and to cause all assets to be liquidated and the net proceeds therefrom to be distributed solely to the Default Lender, with the Defaulting Partner having no right to receive any such Distribution.

(d) Upon request by any Default Lender at any time from the date of the Default Lender's advance pursuant to Section 8.04(a) hereof until any such Default Loan shall be repaid in full or converted to an increased Percentage Share, the

Defaulting Partner shall execute any and all documents reasonably requested by any Default Lender, including, without limitation, notes and any other documents which may be necessary to evidence the Default Loan.

(e) The dilution remedy in Section 8.04(b) hereof may not be elected by any Material Partner with respect to NOLDC with respect to Default Loans made in connection with an Additional Capital Contribution pursuant to Section 3.03 hereof, to the extent NOLDC retains all or any part of its original Partnership Interest. This exception shall not apply to any Partnership Interest subsequently acquired by NOLDC by purchase, merger or otherwise, or to any part of NOLDC's Partnership Interest which is Transferred other than to First National Bank of Commerce or any successor Institutional Investor holding the NOLDC Loan or a nominee who holds title for such bank or Institutional Investor in respect of any existing Default Loans to NOLDC prior to foreclosure of the NOLDC Loan.

8.05 Appraisal Buyout

(a) Upon the occurrence of an Unsuitability Determination, the Partnership shall exercise promptly its right pursuant to Section 11.01 hereof to redeem (i) the Partnership Interest of the Partner Group containing the Defaulting Partner in the case of an Unsuitability Determination with respect to a Material Partner, (ii) the Partnership Interest of a non-Material Partner in the case of an Unsuitability Determination with

respect to a non-Material Partner, or (iii) the entire Partnership Interest of a Partner who has failed to redeem an unsuitable Holding Entity pursuant to Section 11.01(b)(iii) hereof or Section 16.06(e) hereof, as the case may be (the "Redeemed Interest"), pursuant to this Section 8.05 (the "Appraisal Buyout"). Upon such notice the fair market value of the assets of the Partnership shall be determined pursuant to Article 9 hereof. The Partnership shall have sixty (60) days or such period of time allowed or required by LEDGC from the earlier of the date on which the Represented Groups agree upon a fair market value pursuant to Section 9.01 hereof or the date on which the Remaining Partners receive notice of the decision of the appraisers pursuant to Section 9.02 hereof (the "Valuation Date") in which to purchase the Redeemed Interest by payment, in accordance with Section 8.05(c) hereof, to the Partner Group or Partner of an amount equal to the Appraisal Buyout Price.

(b) For purposes of calculating the "Appraisal Buyout Price", ninety percent (90%) of the Appraised Value of the assets of the Partnership shall be treated as hypothetical sales proceeds for distribution under Section 15.03 hereof, and the portions of such hypothetical sales proceeds which would be respectively distributed to each Partner in respect of its Redeemed Interest pursuant to Section 15.03 hereof (assuming that all debts and liabilities of the Partnership to third parties, including any loans or advances permitted or required by the terms of this Agreement or approved by the Partnership that may have been made by any of the Partners to the Partnership, shall

be paid from such hypothetical sales proceeds and that any gain or loss realized upon such hypothetical sale shall have been allocated to the Partners' Capital Accounts) shall be calculated (as well as any negative Capital Account balance of any Partner which would result from such a hypothetical liquidation).

(i) The notice may designate any date, so long as such date is not more than ninety (90) days prior to the date such notice is given and no later than the date on which the Appraisal Buyout closes, as to the effective date on which the hypothetical liquidation pursuant to Section 8.05(b) hereof shall occur.

(ii) The portion so calculated of such hypothetical sales proceeds that the Partner Group or Partner with respect to which the Unsuitability Determination was made would receive, if any (including, or less, any amounts as are payable to any Partners in respect of Default Loans pursuant to Section 8.04 hereof or indemnity obligations pursuant to Sections 10.02 and 10.04 hereof), or such lesser amounts to be paid to the Partner Group or Partner as may be necessary to comply with applicable laws, rules, regulations or requirements of any governmental entity, shall be the Appraisal Buyout Price for such Redeemed Interest.

(iii) If any Partner Group or Partner would have a negative Capital Account and be required to pay the amount of such negative Capital Account to the Partnership pursuant to

Section 15.03 hereof in such hypothetical liquidation, the amount of such negative Capital Account (including, or less, any amounts as are payable to any Partners in respect of Default Loans pursuant to Section 8.04 hereof or indemnity obligations pursuant to Sections 10.02 and 10.04 hereof) shall be the Appraisal Buyout Price for its Redeemed Interest. The Partners understand and agree that in such circumstances of a negative Capital Account, the Appraisal Buyout Price applicable to a Partner Group or Partner for its Redeemed Interest will require a payment from the selling Partner Group or Partner to the Partnership rather than a payment from the Partnership to the selling Partner Group or Partner, as the case may be.

(iv) If the Partnership Interest of Harrah's is being purchased, the notice must state whether the Management Agreement will be terminated pursuant to Section 17.02 of the Management Agreement, and all amounts due to Manager in connection with such termination must be paid in full to Manager at the closing of such purchase.

(c) Whenever an Offer Related Partnership Interest is being purchased pursuant to Section 8.05(a) hereof, the Appraisal Buyout Price of the Offer Related Partnership Interest shall be the amount of hypothetical sales proceeds which would be allocable to the Offer Related Partnership Interest based on its pro rata share of the Percentage Share of the subject Partnership Interest.

(d) The closing of the Partnership's purchase of a Redeemed Interest and, if applicable, termination of the Management Agreement, shall occur at a place and time designated by the Partnership in its written notice pursuant to Section 8.05(a) hereof within sixty (60) days or such other period as allowed or required by LEDGC after the Valuation Date. The Appraisal Buyout Price as determined in Section 8.05(b) hereof, to the extent not prohibited by law, shall be paid from Distributions otherwise distributable to the Partner or Partner Group which owns the Redeemed Interest had such purchase not occurred, without interest. At the closing of the purchase of a Redeemed Interest pursuant to this Section 8.05(d), the Partnership shall, in virile shares, save, protect, defend, indemnify and hold harmless the selling Partner Group or Partner from all debts and liabilities owed by the Partnership to third parties, excluding any personal guarantee incurred by a Partner prior to the date of this Agreement, the obligation to repay any Default Loans pursuant to Section 8.04 hereof or the obligation to pay to the Partnership any negative Capital Account balance pursuant to Section 15.03 hereof, and the selling Partner Group or Partner shall not be relieved of any indemnity obligation pursuant to Article 10 hereof arising out of events occurring prior to or during the period of time any selling Partner was a Partner in the Partnership.

(e) Costs of the transaction, including recording fees, escrow costs, if any, and other fees (but not attorneys' fees) shall be borne by the Partner Group or Partner, as the case

may be, which owned the Redeemed Interest. The Partner Group or Partner, as the case may be, shall deliver all appropriate documents of Transfer and, if applicable, termination of the Management Agreement, to any nominee of the Partnership at the closing and shall cause its entire Redeemed Interest to be free and clear of all liens, claims, encumbrances, or other charges of any kind whatsoever. If a Partner's entire Partnership Interest is Transferred pursuant to this Section 8.05, such Partner shall thereupon cease to be a Partner in the Partnership. The Percentage Share of any Partnership Interest or Offer Related Redeemed Interest acquired by the Partnership pursuant to this Section 8.05 shall be reallocated among the remaining Material Partners, pro rata in accordance with their respective Percentage Shares. If the Partnership Interest or Offer Related Redeemed Interest is Transferred to a nominee of the Partnership, the admission of such nominee to the Partnership as a successor to the Partner Group or Partner which owned the Redeemed Interest, as the case may be, shall occur, and for all purposes shall be deemed to have occurred immediately prior to the Transfer by the Partner Group or Partner, as the case may be, of the Redeemed Interest. From and after the closing, the Partner Group or Partner which owned the Redeemed Interest, as the case may be, shall have no further interest in the assets, profits or management of the Partnership and shall not be responsible for any of its obligations or losses in respect of the Redeemed Interest, and all obligations other than indemnity obligations of the Partnership to the Partner Group or Partner which owned the Redeemed Interest shall be satisfied and discharged in respect of

the Redeemed Interest Transferred, including all Capital Accounts, Partner Loans or any other amounts advanced to the Partnership or owed by the Partnership to the Partner Group or Partner which owned the Redeemed Interest, excluding any personal guarantee incurred by a Partner prior to the date of this Agreement, the obligation to repay any Default Loans pursuant to Section 8.04 hereof, or the obligation to pay to the Partnership the negative Capital Account balance pursuant to Section 15.03 hereof, and the selling Partner Group or Partner shall not be relieved of any indemnity obligation pursuant to Article 10 hereof arising out of events occurring prior to or during the period of time any selling Partner was a Partner in the Partnership.

8.06 Non-Material Partner Appraisal Buyout

(a) Upon a Monetary Default by a non-Material Partner, any Nondefaulting Partner may give to the other Material Partners written notice that it intends to exercise its right to buy any defaulting non-Material Partner's Partnership Interest pursuant to this Section 8.06 (the "Non-Material Partner Appraisal Buyout"). By Unanimous Approval of such Nondefaulting Partners within the ten (10) day notice period provided in Section 8.06(a)(ii) hereof, the Nondefaulting Partners may elect to have the Partnership exercise the Non-Material Partner Appraisal Buyout remedy pursuant to this Section 8.06. If the Nondefaulting Partners so elect to have the Partnership be the

purchaser, the Partnership shall be the Electing Partner for the purposes of this Section 8.06.

(i) Any Nondefaulting Partner first to exercise its right under this Section 8.06(a) shall be the Electing Partner for the purposes of this Section 8.06(a). If more than one Nondefaulting Partner concurrently exercise their rights under this Section 8.06(a), such concurrently exercising Nondefaulting Partners shall jointly be the Electing Partner.

(ii) Any Material Partner other than a Defaulting Partner and the Electing Partner, so long as it is not a Defaulting Partner, shall be a Remaining Partner for the purposes of this Section 8.06. Any Remaining Partner shall have the option for ten (10) days after first notice of an Electing Partner is given to elect by written notice to the other Material Partners to join the Electing Partner and participate in the Non-Material Partner Appraisal Buyout. If any Remaining Partner timely elects by written notice to the other Material Partners to participate in the Non-Material Partner Appraisal Buyout, each Electing Partner will participate in the Non-Material Partner Appraisal Buyout pursuant to this Section 8.06(a) on a pro rata basis in accordance with each Material Partner's Exercising Partner's Percentage Share. If any Remaining Partner does not elect by timely written notice to join the Electing Partner, such Remaining Partner shall have no participation in the Non-Material Partner Appraisal Buyout. The Nondefaulting Partner(s) participating in the Non-Material Partner Appraisal Buyout (e.g.,

the Electing Partner(s) and Remaining Partners giving notice as aforesaid) shall be the "Non-Material Partner Appraisal Purchaser".

(iii) Upon the first notice of an Electing Partner the fair market value of the assets of the Partnership shall be determined pursuant to Article 9 hereof. The Non-Material Partner Appraisal Purchaser shall have sixty (60) days from the earlier of the date on which the Electing Partners agree upon a fair market value pursuant to Section 9.01 hereof or the Valuation Date in which to purchase the defaulting non-Material Partner's Partnership Interest by payment, in accordance with Section 8.06(c) hereof, to the defaulting non-Material Partner of an amount equal to the Non-Material Partner Appraisal Buyout Price, as determined pursuant to Section 8.06(b) hereof.

(iv) If more than one Material Partners are acting jointly as the Non-Material Partner Appraisal Purchaser under this Section 8.06 and one becomes a Defaulting Partner, any other Nondefaulting Partner may, at its sole discretion, within an additional twenty (20) day period, elect to act as the Non-Material Partner Appraisal Purchaser without the participation of such Defaulting Partner in which case the closing date pursuant to Section 8.06(c) hereof shall be extended by twenty (20) days.

(b) For purposes of calculating the "Non-Material Partner Appraisal Buyout Price", ninety percent (90%) of the Appraised Value (as established pursuant to Section 9.03 hereof)

of the assets of the Partnership shall be treated as hypothetical sales proceeds for distribution under Section 15.03 hereof, and the portion of such hypothetical sales proceeds which would be distributed to the defaulting non-Material Partner pursuant to Section 15.03 hereof (assuming that all debts and liabilities of the Partnership to third parties (including any loans or advances permitted or required by the terms of this Agreement or approved by the Partnership that may have been made by any of the Partners to the Partnership) shall be paid from such hypothetical sales proceeds and that any gain or loss realized upon such hypothetical sale shall have been allocated to the Partners' Capital Accounts) shall be calculated (as well as any negative Capital Account balance of any Partner which would result from such a hypothetical liquidation).

(i) The notice may designate any date, so long as such date is not more than ninety (90) days prior to the date such notice is given and no later than the date on which the Non-Material Partner Appraisal Buyout closes, as to the effective date on which the hypothetical liquidation pursuant to Section 8.06(b) hereof shall occur.

(ii) The portion so calculated of such hypothetical sales proceeds that the defaulting non-Material Partner would receive, if any (including, or less, any amounts as are payable to any Partners in respect of Default Loans pursuant to Section 8.04 hereof or indemnity obligations pursuant to Sections 10.02 and 10.04 hereof), or such lesser amounts to be

paid to the defaulting non-Material Partner as may be necessary to comply with applicable laws, rules, regulations or requirements of any governmental entity, shall be the Non-Material Partner Appraisal Buyout Price.

(iii) If any defaulting non-Material Partner would have a negative Capital Account and be required to pay the amount of such negative Capital Account to the Partnership pursuant to Section 15.03 hereof in such hypothetical liquidation, the amount of such negative Capital Account shall be the Non-Material Partner Appraisal Buyout Price. The Partners understand and agree that in such circumstances of a negative Capital Account (including, or less, any amounts as are payable to any Partners in respect of Default Loans pursuant to Section 8.04 hereof or indemnity obligations pursuant to Sections 10.02 or 10.04 hereof), the Non-Material Partner Appraisal Buyout Price applicable to a defaulting non-Material Partner will require a payment from the selling Partner to the Non-Material Partner Appraisal Purchaser rather than a payment from the Non-Material Partner Appraisal Purchaser to the selling Partner.

(c) The closing of the Non-Material Partner Appraisal Purchaser's purchase of the defaulting non-Material Partner's Partnership Interest shall occur at a place and time designated by the Non-Material Partner Appraisal Purchaser in written notice to the Remaining Partners and non-Material Partner whose Partnership Interest is to be purchased. Such notice shall be given in writing within ten (10) days after the Valuation Date.

If the Partnership is the Non-Material Partner Appraisal Purchaser, the Non-Material Partner Appraisal Buyout Price as determined in Section 8.06(b) hereof, to the extent not prohibited by law, shall be paid from Distributions otherwise distributable to the non-Material Partner whose Partnership Interest is being purchased had it remained a Partner, without interest. Otherwise the Non-Material Partner Appraisal Buyout Price shall be paid in such manner as shall be elected by the Non-Material Partner Appraisal Purchaser.

(i) At the closing of the purchase of a Partnership Interest pursuant to this Section 8.06(c), the Partnership and the Non-Material Partner Appraisal Purchaser shall, in virile shares, save, protect, defend, indemnify and hold harmless the selling non-Material Partner from all debts and liabilities owed by the Partnership to third parties, excluding any debts upon which a Partner has personal liabilities, any indemnity obligations pursuant to Article 10 hereof, the obligation to repay any Default Loans pursuant to Section 8.04 hereof, or the obligation to pay to the Partnership any negative capital balance of a Capital Account pursuant to Section 15.03 hereof, and the selling non-Material Partner shall not be relieved of any indemnity obligation pursuant to Article 10 hereof arising out of events occurring prior to or during the period the selling non-Material Partner was a Partner in the Partnership.

(ii) Where more than one Material Partner are acting jointly as the Non-Material Partner Appraisal Purchaser and one such Material Partner fails to close a Non-Material Partner Appraisal Buyout under this Section 8.06, any other purchasing Material Partner shall by written notice to the other participating Material Partners within an additional twenty (20) day period, either elect to act as the Non-Material Partner Appraisal Purchaser without the participation by the Partner Group that failed to close or elect not to proceed further with the Non-Material Partner Appraisal Buyout. Such closing shall occur on a date at the expiration of said additional twenty (20) day period as designated in such notice by the Material Partner making such election to close.

(d) Costs of the transaction, including recording fees, escrow costs, if any, and other fees (but not attorneys' fees) shall be borne by the defaulting non-Material Partner. The defaulting non-Material Partner shall deliver all appropriate documents of Transfer at the closing and shall convey its entire Partnership Interest to the Non-Material Partner Appraisal Purchaser, or its or their nominee(s), free and clear of all liens, claims, encumbrances, or other charges of any kind whatsoever on its Partnership Interest. In the event such Partnership Interest is Transferred to a nominee of any Nondefaulting Partner, the admission of such nominee to the Partnership as a successor to the defaulting non-Material Partner shall occur, and for all purposes shall be deemed to have occurred immediately prior to the Transfer by the defaulting non-

Material Partner of its Partnership Interest. From and after the closing, the defaulting non-Material Partner shall have no further interest in the assets, profits or management of the Partnership and shall not be responsible for any of its obligations or losses, excluding any debts upon which a Partner has personal liabilities, any indemnity obligations pursuant to Article 10 hereof, the obligation to repay any Default Loans pursuant to Section 8.04 hereof, or the obligation to pay to the Partnership any negative capital balance of a Capital Account pursuant to Section 15.03 hereof, and the selling non-Material Partner shall not be relieved of any indemnity obligation pursuant to Article 10 hereof arising out of events occurring prior to or during the period of time any selling Partner was a Partner in the Partnership.

(e) In the event a Material Partner has elected to exercise a buy/sell against a defaulting non-Material Partner pursuant to Section 8.03 hereof, any other Material Partner shall have the option, for a period of ten (10) days following written notice as required by Section 8.03(b) hereof, to elect by written notice to the other Material Partners and the Defaulting Partner to exercise the Non-Material Partner Appraisal Buyout pursuant to this Section 8.06. If such notice is timely given, the buy/sell pursuant to Section 8.03 hereof shall be terminated effective as of the date of such notice and the Non-Material Appraisal Buyout shall be initiated effective as of the date of such notice with the Material Partner making such election being the Electing Partner pursuant to Section 8.06(a) hereof.

8.07 Waiver. Each Partner hereby acknowledges and agrees that any exercise of the buy/sell pursuant to the provisions of Section 8.03 hereof, the dilution pursuant to the provisions of Section 8.04 hereof, the Appraisal Buyout pursuant to the provisions of Section 8.05 hereof, or the Non-Material Partner Appraisal Buyout pursuant to the provisions of Section 8.06 hereof, for any reason or at any time in accordance with the terms of such Sections shall not be deemed to be in bad faith or a breach of any fiduciary or other Partnership duty, and each Partner hereby expressly waives any claim of bad faith or breach of fiduciary or other Partnership duty as a result of any exercise of a buy/sell pursuant to the provisions of Section 8.03 hereof, a dilution pursuant to the provisions of Section 8.04 hereof, an Appraisal Buyout pursuant to the provisions of Section 8.05 hereof or a Non-Material Partner Appraisal Buyout pursuant to the provisions of Section 8.06 hereof.

8.08 Waiver Regarding Embassy. Each Partner hereby acknowledges and agrees that Embassy may take any separate action or actions as it shall determine in its sole discretion to be in its own best interest with respect to the Partnership in connection with any of its roles as (i) a lender to the Partnership under the Completion Loan Agreement, (ii) an Affiliate of a Partner, or (iii) a completion guarantor in respect of any loan to the Partnership, and that Embassy shall not be deemed to have acted in bad faith or to have breached any fiduciary or other Partnership duty for so acting in its best interest. Each Partner hereby expressly waives any claim of bad

faith or breach of fiduciary or other Partnership duty as a result of any such action or actions which Embassy may take in its own best interest in any such separate roles to the Partnership.

8.09 Waiver Regarding Harrah's and Manager. Each Partner hereby acknowledges and agrees that Harrah's and Manager may take any separate action or actions as they individually shall determine in their sole discretion to be in their own respective best interest in connection with their respective roles as (i) a Partner and (ii) Manager, and that Harrah's and Manager shall not be deemed to have breached any fiduciary or other Partnership duty for so acting in their respective best interests. Each Partner hereby expressly waives any claim of bad faith or breach of fiduciary or other Partnership duty as a result of any such act in or actions which Harrah's or Manager may take in their own respective best interests in any such separate role with respect to the Partnership.

ARTICLE 9

VALUATION AND APPRAISAL PROCEDURES

9.01 Voluntary Appraisal. Upon an election of any Material Partner(s) to exercise their rights pursuant to any of Sections 8.04, 8.05 or 8.06 hereof, the electing Material Partners shall promptly attempt, in good faith, to agree upon the

fair market value of all of the assets of the Partnership for a period of fifteen (15) days from written notice of any electing Material Partners to exercise its rights pursuant to Sections 8.04, 8.05 or 8.06 hereof.

9.02 Appraisal Panel

(a) If the participating Material Partners, within the fifteen (15) day period specified in Section 9.01 hereof, do not agree upon the fair market value of the assets of the Partnership, any participating Material Partners shall have the right to call for an appraisal by written notice to all other participating Material Partners involved designating a disinterested Appraiser (the "First Appraiser") to serve on the Appraisal Panel provided for below.

(b) The Defaulting Partner in the case of an exercise of rights pursuant to Section 8.04 hereof, the Partner owning the Redeemed Interest in the case of an exercise of rights pursuant to Section 8.05 hereof, or the defaulting non-Material Partner in the case of an exercise of rights pursuant to Section 8.06 hereof shall have seven (7) days from receipt of notice invoking Section 9.02(a) hereof appointing the First Appraiser in which to designate a disinterested appraiser (the "Second Appraiser") to serve on the Appraisal Panel by serving notice of such designation on the electing Material Partner(s). If the Second Appraiser is not so appointed and designated within or by the time so specified, then the First Appraiser shall be the sole

appraiser to determine the value of the assets of the Partnership.

(c) Within seven (7) days after the designation, if any, of the Second Appraiser, the First Appraiser and the Second Appraiser shall themselves appoint a third disinterested appraiser (the "Third Appraiser"). If the First Appraiser and the Second Appraiser are unable to agree upon such appointment within said seven (7) days, then the electing Material Partner(s) shall request such appointment of a qualified independent appraiser to act as the Third Appraiser by the New York office of one of the following certified public accounting firms or its successor (other than Arthur Andersen & Co.), such firm to be selected by lot by the First Appraiser and the Second Appraiser: Coopers & Lybrand, Deloitte & Touche, Ernst & Young, KMPG Peat Marwick, and Price Waterhouse or a firm of equivalent status.

(d) In the event of failure, refusal or inability of any appraiser to act, a new appraiser shall be appointed in the stead thereof, which appointment shall be made in the same manner as provided in this Section 9.02 for the appointment of such appraiser so failing, refusing or being unable to act.

(e) The one or three appraisers appointed as the appraisal panel pursuant to this Section 9.02 hereof (the "Appraisal Panel") shall each appraise the assets of the Partnership taking into account appropriate indicators of the fair market value of such assets in a cash sale between a willing

buyer and seller not under undue duress and shall report their findings to the Partnership and the Material Partners in writing within sixty (60) days after the appointment of the Third Appraiser. In the case of a three appraiser Appraisal Panel, if one or more appraiser fails to deliver their reports within sixty (60) days after the appointment of the Third Appraiser, the party which appointed the delinquent appraiser may dismiss the delinquent appraiser and a new appraiser may be appointed in accordance with Section 9.02(d) above whose report shall be submitted to the Partnership within thirty (30) days of its appointment.

9.03 Appraised Value. The "Appraised Value" of the Partnership's assets shall be equal to the mean of the two (2) closest appraised values reported by the appraisers on the Appraisal Panel; provided that if such values are equally distributed, the "Appraised Value" of the assets to be appraised shall be equal to the mean of the three appraised values reported by the appraisers on the Appraisal Panel.

9.04 Expenses. Except as otherwise provided herein, each party shall pay the fees and expenses of the appraiser appointed by such party, or in whose stead, as above provided, such appraiser was appointed, and the fees and expenses of the Third Appraiser, and all other expenses, if any, shall be borne one half by the Partner or Partners appointing the First Appraiser and one half by the Partner or Partners appointing the Second Appraiser.

9.05 Qualification. To be qualified to be selected or designated as an appraiser for purposes of this Article 9, such appraiser must demonstrate (a) current good standing as a licensed appraiser, and (b) past appraising experience of at least five (5) years, which experience shall include the appraisal of casino gaming operations.

9.06 Continued Use of Appraisal. If an Appraised Value shall have been established pursuant to the procedures of this Article 9 after the opening of the Temporary Casino or the Permanent Casino, as the case may be, such Appraised Value shall be used for purposes of any subsequent election pursuant to Sections 8.04, 8.05 or 8.06 hereof for a period of nine (9) months after the date such Appraised Value was established.

ARTICLE 10

REPRESENTATIONS, WARRANTIES AND INDEMNITIES

10.01 Representations and Warranties by the Partners. Each Partner represents and warrants to and with the Partnership and each other Partner as of the date hereof or the date of its admission to the Partnership that:

(a) it is, and shall continue to be, validly existing and duly organized under the laws of the state of its formation, and the Persons acting in its behalf have all the requisite power

and authority to execute, deliver and comply with the terms and provisions hereof and consummate the transactions contemplated herein;

(b) its execution, delivery and performance of this Agreement do not require the consent or approval of any governmental body or regulatory authority or other entity, is not in contravention of or in conflict with any applicable law or regulation and this Agreement is, and will continue to be, the valid, binding and legally enforceable obligation of such Partner in accordance with its terms;

(c) except for Transfers permitted by Article 6 hereof, its Partnership Interest has been or will be acquired solely by and for its account for investment purposes only and is not being purchased for, or with a view to, subdivision, fractionalization, resale or distribution; except as provided in this Agreement, it has no contract, undertaking, agreement or arrangement with any Person to Transfer to such Person or anyone else its Partnership Interest (or any part thereof); and it has no present plans or intentions to enter into any such contract, undertaking or arrangement; and agrees not to Transfer all or any part of its Partnership Interest, except that subject to compliance with the terms of this Partnership Agreement, Rivergate Lease, Temporary Casino Lease, and Casino Operating Contract and all applicable laws, Grand Palais and NOLDC have indicated their intent to obtain financing secured by a loan on their Partnership Interest and an interest in considering a

public offering of direct or indirect interests in the Partnership;

(d) it has no knowledge of, and has not caused to exist, any liens or encumbrances on the Property or Project or any Partnership Interest, except as set forth in Exhibits B and D hereto and hereafter will not cause or suffer to exist any liens or encumbrances on the Property or Project or any Partnership Interest, except as otherwise provided by Section 6.03 hereof and as set forth in Exhibits B and D hereto;

(e) Harrah's, NOLDC, Grand Palais and Grand Palais Enterprises, Inc. have incorporated provisions into their articles of incorporation, charters, partnership agreements or other formative documents as required by Section 16.06 hereof and placed legends on their shares of capital stock substantially in the form of Exhibits H-3 and H-5 attached hereto and by this reference incorporated herein;

(f) except as set forth in Exhibit E attached hereto and by this reference incorporated herein, it is not in violation or default under any agreement with any Person, or under any law, judgment, order, decree, license, permit, approval, rule, or regulation of any court, arbitrator, administrative agency, or other governmental authority to which it may be subject which might have a material adverse impact on the Partnership, and hereafter shall take no action which shall be in violation or cause a default under any agreement with any Person, or under any

law, judgment, order, decree, license, permit, approval, rule, or regulation of any court, arbitrator, administrative agency, or other governmental authority to which it may be subject which might have a material adverse impact on the Partnership;

(g) Harrah's, NOLDC and Grand Palais have placed legends on their shares of capital stock substantially in the form of Exhibit H-4 attached hereto and by this reference incorporated herein;

(h) with respect to its investment in the Partnership:

(i) it has knowledge and experience in financial and business matters in general, and in investments of the type made by the Partnership in particular;

(ii) it is capable of evaluating the merits and risks of an investment in the Partnership;

(iii) it has either secured independent tax advice with respect to the investment in the Partnership, upon which it is solely relying, or it is sufficiently familiar with the income taxation of partnerships that it has deemed such independent advice unnecessary;

(iv) it has received or has access to all material information and documents with respect to the Partnership and has had an opportunity to ask questions and receive answers thereto

and to verify and clarify any information available to the other Partners;

(v) except as otherwise expressly set forth in this Agreement, it has relied solely upon its independent investigation, and not on any statements, actions or representations of the other Partners or any Affiliate of the other Partners, in making the decision to acquire its Partnership Interest;

(vi) no federal or state agency has reviewed or passed upon the adequacy or accuracy of the information set forth in the documents submitted to it or made any finding or determination as to the fairness for investment, or any recommendation or endorsement of an investment in the Partnership;

(vii) there are restrictions on the transferability of its Partnership Interest hereunder;

(viii) there will be no public market for its Partnership Interest, and, accordingly, it may not be possible to liquidate its investment in the Partnership; and

(ix) any anticipated federal or state income tax benefits applicable to its Partnership Interest may be lost through changes in, or adverse interpretations of, existing laws and regulations;

(i) each of the following is true and correct:

(i) none of it or any Affiliate that are Controlled by, under common Control with, or Controlling such Person is a party to any other agreement or other arrangement which would interfere with the development or operation of the Project or the Property;

(ii) its performance under this Agreement will not violate any other material agreement or other arrangement to which it, or to the best of its knowledge, its Affiliates Controlled by, under common Control with, or Controlling such Partner, is a party;

(iii) except as provided in Exhibit E hereto, it, and to the best of its knowledge, its Affiliates Controlled by, under common Control with, or Controlling such Partner, have not received notice of any claim which would interfere with its performance under this Agreement;

(iv) it has Transferred to the Partnership all of its right, title and interest in any rights or property related to the Property and the Project;

(v) none of it, its Affiliates Controlled by, under common Control with, or Controlling such Partner, or the shareholders of NOLDC, Grand Palais and Grand Palais Enterprises, Inc., has incurred any material liabilities or obligations on

behalf of the Partnership or has knowledge of any liabilities or obligations of the Partnership other than those described on Exhibit D attached hereto and by this reference incorporated herein or pursuant to a Budget and agrees hereafter that it will not, nor cause any of its Affiliates, to incur any liability or obligation on behalf of the Partnership, except as otherwise expressly provided herein;

(vi) it knows of no actions or lawsuits, pending, planned or threatened, by or against it, the Partnership, or its Affiliates, other than those described on Exhibit E attached hereto, which could create an obligation or liability for the Partnership or any of the other Partners; and

(vii) none of such Partner, Affiliates that are Controlled by, under common Control with, or Controlling such Person, or to the best of its knowledge, its Holding Entities has been determined by LEDGC to be unsuitable, has had any application for any gaming license or permit rejected, or has had any gaming license or permit, once having been issued, rescinded, suspended, revoked or not renewed or reinstated, and no Partner has knowledge that the affiliation of any member of its Partner Group with any other Partner will threaten any gaming license, permit, entitlement or approval in any jurisdiction other than the State of any member of a Partner Group of which it is not a member;

(j) the execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, will not

(i) violate any law, judgment, order, decree, license, permit, approval, rule or regulation of any court, arbitrator, administrative agency, or other governmental authority to which it may be subject;

(ii) result in a breach or default under any contract or other binding commitment or any provision of the charter or by-laws or partnership agreement or other organizational documents, as the case may be, of such entity; or

(iii) require any consent, or approval or vote of any court or governmental authority or of any Person that, as of the date hereof, has not been given or taken, and does not remain effective.

10.02 Indemnities

(a) Grand Palais shall and does hereby indemnify, defend and hold harmless the Partnership, the Indemnified Persons of Harrah's and the Indemnified Persons of NOLDC, and each of them separately, from and against all loss, cost, or damage whatsoever (including attorneys fees) resulting from any act, claim or omission of or by Grand Palais and all Affiliates that are Controlled by, under common Control with, or Controlling

Grand Palais or Caesar's New Orleans, Inc. and all Affiliates that are Controlled by, under common Control with, or Controlling Caesar's New Orleans, Inc. prior to the date hereof, including without limitation those matters described on Exhibit E hereto.

(b) Harrah's shall and does hereby indemnify, defend and hold harmless the Partnership, the Indemnified Persons of Grand Palais and the Indemnified Persons of NOLDC, and each of them separately, from and against any loss, cost, or damage whatsoever (including attorneys fees) resulting from any act, claim or omission of or by Harrah's and all Affiliates that are Controlled by, under common Control with, or Controlling Harrah's prior to the date hereof.

(c) NOLDC shall and hereby does indemnify, defend and hold harmless the Partnership, the Indemnified Persons of Grand Palais and the Indemnified Persons of Harrah's, and each of them separately, from and against any loss, cost, or damage whatsoever (including attorneys fees) resulting from any act, claim or omission of or by NOLDC and all Affiliates that are Controlled by, under common Control with, or Controlling NOLDC prior to the date hereof.

(d) As and to the extent provided in Section 10.03 hereof, the rights of the Indemnified Persons pursuant to this Section 10.02 shall be subject and subordinate to any rights of any secured Institutional Investor holding a valid and enforceable security interest in a Partnership Interest.

10.03 Security For Certain Indemnities

(a) (i) Each of Grand Palais, Harrah's and NOLDC, respectively, hereby grants to each other on behalf of their respective Indemnified Persons a first security interest in a Percentage Share of one percent (1%) and all proceeds thereof to secure its indemnity obligations under Section 10.02 hereof. At such time as Grand Palais shall deliver to Harrah's and NOLDC an indemnity from Hemmeter Enterprises, Inc. in a form satisfactory to Harrah's and NOLDC indemnifying Harrah's and NOLDC in respect of the matters set forth in Section 10.02(a) hereof together with satisfactory evidence that Hemmeter Enterprises, Inc. is a public company with capitalization adequate to satisfy such indemnity, the security interest granted hereby by Grand Palais with respect to its one percent (1%) Percentage Share shall be released by Harrah's and NOLDC on behalf of their respective Indemnified Persons.

(ii) Grand Palais, Harrah's and NOLDC have each duly executed, delivered and filed in the appropriate locations UCC-1 financing statements in the form of Exhibit G attached hereto and by this reference incorporated herein. Notwithstanding the ranking of security interests based on the order of the filing of such UCC-1 financing statements, all Indemnified Persons having liquidated indemnity claims shall share on a pari passu basis in the proceeds of the Percentage
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Shares which are the subject of such security interests.

(iii) Upon the expiration of one year from the date of the closing of the Permanent/Temporary Casino Financing and so long as no indemnity claims have been made and remain pending which are secured by such security interest, the security interest granted hereby by each of Grand Palais, Harrah's and NOLDC in a Percentage Share of one percent (1%) shall be released by Harrah's, NOLDC and Grand Palais on behalf of their respective Indemnified Persons. If any indemnity claims secured by such security interest are made prior to such release, such security interest shall not be released until such indemnity claim has been resolved or satisfied to the satisfaction of Harrah's, NOLDC or Grand Palais, as the case may be, on behalf of the Indemnified Person, and at such time such security interest shall be released. Each of the Partners agree to execute and deliver such UCC termination statements or other documents as shall be necessary to accomplish the foregoing releases of security interest in accordance with the terms of this Agreement.

(iv) At such time as a security interest is released pursuant to this Section 10.03(a), the Claims of Indemnified Person(s) under Section 10.02 hereof against the Partner with respect to whose security interest is released shall thereupon be subject and subordinate to any rights of any secured Institutional Investor holding a valid and enforceable security interest in such Partner's Partnership Interest.

(v) Grand Palais hereby grants to Harrah's and NOLDC on behalf of their respective Indemnified Persons a first

security interest in its remaining thirty two and one-third percent (32 1/3%) Percentage Share and all proceeds thereof to secure its indemnity obligations under Section 10.02 hereof.

(b) The security interest created pursuant to Section 10.03(a) hereof securing each Partner's indemnity obligation pursuant to Section 10.02 hereof, is hereby subordinated, to any security interest securing repayment of the NOLDC Loan, but only to the extent any Cash Flow, Proceeds of Major Capital Events or other Distributions are used solely to repay any such NOLDC Loan. Any such Distributions used to repay the NOLDC Loan shall be made by a check from the Partnership payable to the lender of the NOLDC Loan.

(c) Upon the request of any secured Material Partner to an Indemnifying Partner, at any time, the Indemnifying Partner (or, if the Indemnifying Partner should refuse to do so, such Material Partner pursuant to the power of attorney granted herein) shall execute any and all documents reasonably requested by such Material Partner including, without limitation, notes, security agreements and UCC-1 financing statements which notes, security agreements and UCC-1 financing statements shall be in the form provided by such Material Partner, as may be necessary to further assure and perfect a security interest in the Partnership Interest of the Indemnifying Partner in favor of such Material Partner, as provided in this Section 10.03.

(d) Upon the failure of any Indemnifying Partner (the "Defaulting Indemnifying Partner") to make prompt payment or performance under Section 10.07 (c) hereof (such unsatisfied obligations being hereinafter referred to as the "Defaulted Obligations"; and such failure to make payment or performance being hereinafter referred to as an "Indemnifying Partner Default"), the Indemnified Person to whom the payment or performance is owed (the "Secured Party") may, at its option, without notice to or demand upon the Defaulting Indemnifying Partner, do any one or more of the following:

(i) Transfer any property which serves as collateral for the Defaulted Obligations (the "Collateral") into the name of its nominee;

(ii) Exercise any or all of the rights and remedies provided for by the applicable Uniform Commercial Code, specifically including, without limitation, the right to recover the reasonable attorneys' fees and other expenses incurred by the Secured Party in the enforcement of this Agreement or in connection with the Defaulting Indemnifying Partner's redemption of any Collateral;

(iii) Notify the Partnership that the Secured Party has the right to receive any payments from the Partnership to the Defaulting Indemnifying Partner, as a Partner or creditor of the Partnership;

(iv) Retain the Collateral in satisfaction of the Defaulted Obligations, with notice of such retention sent to the Defaulting Indemnified Partner as required by law;

(v) Enforce one or more remedies hereunder, successively or concurrently, and such action shall not operate to estop or prevent the Secured Party from pursuing any other or further remedy which it may have, and any repossession or retaking or sale of the Collateral pursuant to the terms hereof shall not operate to release the Defaulting Indemnifying Partner until full and final payment of any deficiency has been made in cash. The Defaulting Indemnifying Partner shall reimburse the Secured Party upon demand for, or the Secured Party may apply any proceeds of Collateral to, the costs and expenses (including attorneys' fees, transfer taxes and any other charges) incurred by the Secured Party in connection with any sale, disposition or retention of any Collateral hereunder;

(vi) The Secured Party shall not be required to marshal the Collateral or any other security for the Defaulted Obligations or to resort to the Collateral or any other security for the Defaulted Obligations in any particular order and all of the Secured Party's rights under the various instruments relating to the Collateral shall be cumulative. The Defaulting Indemnifying Partner, to the maximum extent permitted by law, hereby waives every defense (now, theretofore or hereafter arising) of estoppel, laches, extension or moratorium applicable to any obligations or liabilities covered by this Agreement or of

the Defaulting Indemnifying Partner under this Agreement. The Defaulting Indemnifying Partner expressly waives extension of the obligations of this Agreement arising by any reason whatsoever, including without limitation, by reason of the institution of proceedings by or against Defaulting Indemnifying Partner or the Partnership under or pursuant to the Federal Bankruptcy Code, or any amendment thereto, or any similar state or federal laws relating to the relief of debtors. The Secured Party may sell the Collateral, or any part thereof, at any public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery, as the Secured Party shall deem appropriate. The Secured Party shall be authorized at any such sale, if it deems it advisable to do so, to restrict the prospective bidders or purchasers to Persons who will provide assurances satisfactory to the Secured Party that they may be offered and sold the Collateral without registration under the Securities Act of 1933, as amended (the "Securities Act"), or any statute then in effect corresponding to the Securities Act, and upon consummation of any such sale, the Secured Party shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of the Defaulting Indemnifying Partner, and the Defaulting Indemnifying Partner hereby waives, to the extent permitted by law, all rights of redemption, stay and/or appraisal which the Defaulting Indemnifying Partner now has or may at any time in the future have under any rule of law or statute now existing or hereafter

enacted. The Secured Party shall give the Defaulting Indemnifying Partner written notice, at least ten (10) days in advance of the Secured Party's intention to make any such public or private sale. Such notice, in case of public sale, shall state the time and place fixed for such sale, and in the case of sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Secured Party may fix in the notice of such sale. At any private or public or other sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Secured Party may in its sole and absolute discretion determine and the Secured Party may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for and purchase for its account the whole or any part of the Collateral at any public sale or sale at a broker's board or on a security exchange. The Secured Party shall not be obligated to sell any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of Collateral may have been given. The Secured Party may, without notice or publication, adjourn any sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. If the sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be

retained by the Secured Party until the sale price is paid by the purchaser or purchasers thereof, but the Secured Party shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. The parties hereto agree that the method, manner and terms of sale or disposition of the Collateral authorized by this subsection are commercially reasonable. As an alternative to exercising the power of sale herein conferred upon it, the Secured Party may, without limitation, proceed by a suit or suits at law or in equity to foreclose this security interest and to sell the Collateral, or any portion thereof, pursuant to a judgment or decree or a court or courts of competent jurisdiction;

(vii) Proceed by an action or actions at law or in equity to recover the Defaulted Obligations or to foreclose this security interest and sell the Collateral, or any portion thereof, pursuant to a judgment or decree of a court or courts of competent jurisdiction; and

(viii) In the event the Secured Party recovers possession of all or any part of the Collateral pursuant to a writ of possession or other judicial process, whether prejudgment or otherwise, the Secured Party may thereafter retain, sell or otherwise dispose of such Collateral in accordance with Section 10.03(d)(vi) hereof or the applicable Uniform Commercial Code, and following such retention, sale or other disposition, the

Secured Party may voluntarily dismiss without prejudice the judicial action in which such writ of possession or other judicial process was issued. The Defaulting Indemnifying Partner hereby consents to the voluntary dismissal by the Secured Party of such judicial action, and the Defaulting Indemnifying Partner further consents to the exoneration of any bond which the Secured Party filed in such action.

(e) For purposes of executory process under applicable State law, each of the Partners hereby acknowledges the obligations owed to the other Partners pursuant to Section 10.02 hereof, CONFESSES JUDGMENT thereon and consents that judgment be rendered and signed, whether during the court's term or during vacation, in favor of any Secured Party, for the full amount of the Defaulted Obligations in principal, interest and attorneys' fees, together with all charges and expenses whatsoever pursuant to this Agreement. Upon an Indemnifying Partner Default and in addition to all of its rights, powers and remedies under this instrument and applicable law, the Secured Party may, at its option, cause all or any part of the Collateral to be seized and sold under executory process or under writ of fieri facias issued in execution of an ordinary judgment obtained in respect of the Defaulted Obligations, without appraisement, to the highest bidder, for cash or under such terms as Secured Party deems acceptable. Each Partner hereby waives all and every appraisement of the Collateral and waives and renounces the benefit of appraisement and the benefit of all laws relative to the appraisement of the Collateral seized and sold under

executory or other legal process. Each Partner agrees to waive, and does hereby specifically waive:

(i) the benefit of appraisement provided for in Articles 2332, 2336, 2723 and 2724, Louisiana Code of Civil Procedure, and all other laws conferring such benefits;

(ii) the demand and three (3) days delay accorded by Articles 2639 and 2721, Louisiana Code of Civil Procedure;

(iii) the notice of seizure required by Articles 2293 and 2721, Louisiana Code of Civil Procedure;

(iv) the three (3) days delay provided by Articles 2331 and 2722, Louisiana Code of Civil Procedure;

(v) the benefit of the other provisions of Articles 2331, 2722 and 2723, Louisiana Code of Civil Procedure;

(vi) the benefit of the provisions of any other articles of the Louisiana Code of Civil Procedure not specifically mentioned above; and

(vii) all rights of division and discussion with respect to the Defaulted Obligations.

(f) In the event the Secured Party elects, at its option, to enter suit via ordinaria on the Defaulted Obligations, in addition to the foregoing confession of judgment, the Defaulting Indemnifying Partner hereby waives legal delays and hereby consents that judgment for the unpaid principal due on the Defaulted Obligations, together with interest, attorneys' fees, costs and other charges that may be due on the Defaulted Obligations, be rendered and signed immediately.

(g) Pursuant to the authority contained in La. R.S. 9:5131 through 9:5140.2, each Partner does hereby expressly designate the Secured Party with respect to its Defaulted Obligations, or its designee, to be keeper or receiver ("Keeper") with respect to that portion of the Collateral located within the State of Louisiana, such designation to take effect immediately upon any seizure of any of the Collateral under writ of executory process or under writ of sequestration or fieri facias as an incident to an action brought by the Secured Party. The fees of the Keeper are hereby fixed at ten percent (10%) of the amount due or sued for or claimed or sought to be protected, preserved or enforced in the proceeding for the recognition of the security interest created hereby, and the payment of such fees shall be secured by the security interest in the Collateral granted in this instrument. The Keeper shall have the right and power to the extent permitted by applicable law, but shall not be obligated, to enter upon and take possession of any of the Collateral, and to exclude the Defaulting Indemnifying Partner, and the Defaulting Indemnifying Partner's agents or servants,

wholly therefrom, and to hold, use, administer, manage and operate the same to the extent that the Defaulting Indemnifying Partner shall be at the time entitled and in its place and stead. The Keeper, or any Person designated by the Keeper, may operate the same without any liability to the Defaulting Indemnifying Partner in connection with such operations, except to use ordinary care in the operation of such properties, and the Keeper or any Person designated by the Keeper, shall have the right to exercise every power, right and privilege of the Defaulting Indemnifying Partner with respect to the Collateral.

10.04 Additional Indemnities. Each Partner shall and does hereby indemnify, defend and hold harmless the Partnership and each other Partner from and against any loss, cost, or damage whatsoever (including attorneys fees) resulting from any breach by any of them of the representations and warranties under Section 10.01 hereof, any losses or expenses as a result of or in connection with any of their personal obligations or liabilities unconnected with Partnership business, or any losses or expenses as a result of or in connection with any breach of this Partnership Agreement. Rights of the Partners pursuant to this Section 10.04 shall be subject and subordinate to any rights of any secured Institutional Investor holding a valid and enforceable security interest in a Partnership Interest.

10.05 Liability for Acts and Omissions

(a) To the fullest extent permitted by applicable law, each Material Partner and its Indemnified Persons shall not be liable, responsible or accountable in damages or otherwise to the Partnership, or to any of the Partners, for any act or omission performed or omitted by them in good faith on behalf of the Partnership and in a manner reasonably believed by them to be within the scope of their authority and in the best interests of the Partnership; provided, however, that this exculpation shall not apply to acts or omissions which are determined, by final decision of a court of competent jurisdiction, to constitute either fraud, bad faith, gross negligence, or willful misconduct.

(b) To the fullest extent permitted by law, the Partnership, its receiver or its trustee, shall indemnify and hold harmless each Material Partner and its Indemnified Persons from and against any and all loss, cost, damage, expense or liability (other than a loss of any equity contributions, Partner Loan or other investment in the Partnership), which relate to or arise out of the Partnership, the Property, the Project or the Partnership's business or affairs, regardless of whether the Material Partners continue to be Partners, an Affiliate of a Material Partner, or an agent, officer, member, director, stockholder or employee of such Partner or such Affiliate at the time any such liability or expense is paid or incurred, if such Material Partner's or its Indemnified Persons' conduct did not constitute fraud, bad faith, gross negligence or willful

misconduct and was not the result of an action by such Material Partner outside the scope of such Represented Group's authority.

(c) To the extent that, at law or in equity, a Partner or its Indemnified Persons have duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to the Partners, each Material Partner and its Indemnified Persons acting under this Agreement or otherwise shall not be liable to the Partnership or to any Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Section 10.05, to the extent that they expand or restrict the duties and liabilities of a Material Partner or its Indemnified Persons otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such Material Partner and its Indemnified Person; provided that the provisions of this Section 10.05 shall in no way limit or reduce the indemnification provided by the Partnership to the Manager under the Management Agreement.

10.06 Joint and Several Liability. The Partners agree that, except as otherwise provided in this Agreement or any other agreement to which the Partnership is a party, each Partner shall have joint and several liability for all debts, obligations and liabilities of the Partnership to the extent that such debts, obligations and liabilities, are recourse obligations and hereby waive any and all provisions of the laws of the State regarding the limitation of liability to a virile share. The Partners do not waive any right to discussion as provided by the laws of the

State. To the extent that any Partner shall incur any debt, obligation or liability in excess of its pro rata share in accordance with the Percentage Shares of such Partner as a consequence of such joint and several liability, such Partner shall have a right of contribution against all other Partners such that all debts, obligations and liabilities of the Partnership are shared by the Partners pro rata in accordance with their respective Percentage Shares.

10.07 Indemnity Procedures

(a) Claiming Procedure

(i) Promptly after the assertion of any claim by a third party which may give rise to a claim for indemnification from an Indemnifying Partner under this Agreement, an Indemnified Person shall notify the Indemnifying Partner in writing of such claim and advise the Indemnifying Partner whether the Indemnified Person intends to contest such claim.

(ii) The Indemnified Person shall permit the Indemnifying Partner to contest and defend against such claim, at the Indemnifying Partner's expense, if the Indemnifying Partner has confirmed to the Indemnified Person in writing that it agrees that the Indemnified Person is entitled to indemnification hereunder in respect of such claim, unless the Indemnified Person can establish, by reasonable evidence, that the conduct of its defense by the Indemnifying Person could be reasonably likely to

prejudice such Indemnified Person due to the nature of the claims presented or by virtue of a conflict between the interests of such Indemnified Person and such Indemnifying Partner and another Indemnifying Partner whose defense has been assumed by the Indemnifying Partner. Notwithstanding a determination by the Indemnifying Partner to contest such claim, the Indemnified Person shall have the right to be represented by its own counsel and accountants at its own expense except as set forth above. In any case, the Indemnified Person shall make available to the Indemnifying Partner and its attorneys and accountants, at all reasonable times during normal business hours, all books, records, and other documents in its possession relating to such claim. The party contesting any such claim shall be furnished all reasonable assistance in connection therewith by the other party (with reimbursement of reasonable expenses by the Indemnifying Partner). If the Indemnifying Partner fails to undertake the defense of or to settle or pay any such third-party claim within fifteen (15) days after the Indemnified Person has given written notice to the Indemnifying Partner advising the Indemnifying Partner of such claim, or if the Indemnifying Partner, after having given notice to the Indemnified Person that it intends to undertake the defense, fails forthwith to defend, settle or pay such claim, then the Indemnified Person may take any and all necessary action to dispose of such claim including, without limitation, the settlement or full payment thereof upon such terms as it shall deem appropriate, in its sole discretion, subject to the following with respect to any proposed settlement thereof.

(iii) The Indemnifying Partner shall not consent to the terms of any compromise or settlement of any third-party claim defended by the Indemnifying Partner in accordance herewith (other than terms related solely to the payment of money damages and only after the Indemnifying Partner has furnished the Indemnified Person with such evidence as the Indemnified Person may reasonably request of the Indemnifying Partner's capacity and capability (financial and otherwise) to pay promptly the amount of such money damages at such times as provided in the compromise or settlement) without the prior written consent of the Indemnified Person if as a result of such compromise or settlement such Indemnified Person could be adversely affected.

(iv) Any claim for indemnification under this Agreement which does not result from the assertion of a claim by a third party shall be asserted by written notice given by the Indemnified Person to the Indemnifying Partner. Such Indemnifying Partner shall have a period of thirty (30) days within which to respond thereto. If such Indemnifying Partner does not respond within such thirty (30) day period, such Indemnifying Partner shall be deemed to have accepted responsibility to make payment, and shall have no further right to contest the validity of such claim. If the Indemnifying Partner does respond within such 30-day period and rejects such claim in whole or in part, such Indemnified Person shall be free to pursue such remedies as may be available to such party under applicable law.

(b) Mitigation. Each Indemnifying Partner and Indemnified Person shall use reasonable efforts and shall consult and cooperate with each other with a view towards mitigating claims, losses, liabilities, damages, deficiencies, costs and expenses that may give rise to claims for indemnification under Sections 10.02 and 10.04 hereof.

(c) Payment. Each Indemnifying Partner agrees to pay any amounts due hereunder (i) within ten (10) days of written notice in respect of its indemnity obligations which it has accepted pursuant to Section 10.07(a)(ii) or (iv) hereof or which it has been deemed to accept pursuant to Section 10.07(a)(iv) hereof, and (ii) within five (5) days of any final adjudication of any indemnity obligations as to which it has not so accepted.

ARTICLE 11

GAMING QUALIFICATION

11.01 Gaming Qualifications in the State

(a) All Partners, and all Persons owning directly or indirectly any ownership interest, security interest, other legal or beneficial interests in any Holding Entities, and their successors and assigns, who are required to be licensed, permitted or determined suitable pursuant to Section 6.01(b) hereof, shall be so licensed, permitted or determined suitable

prior to their admission to, and at all times during their participation in, the Partnership or any Holding Entity.

(b) If any Partner, or any Holding Entity of any Partner, is determined by LEDGC to be unsuitable, or has an application for a license or permit rejected, or has a previously issued license or permit rescinded, suspended, revoked or not renewed, as the case may be (collectively, an "Unsuitability Determination"), all Distributions shall be suspended and escrowed, and such Partner or Holding Entity shall be subject to any other penalties or provisions as may be provided by applicable law, with respect to the Partnership Interest of the Partner with respect to which an Unsuitability Determination is made to the extent and for so long as provided by applicable law, or the Partner in which a Holding Entity owns a direct or indirect interest and with respect to which Holding Entity an Unsuitability Determination has been made to the extent and so as provided by applicable law, and, in such case, the Partner in which such Holding Entity owns a direct or indirect interest and each intervening Holding Entity shall enforce all provisions of their formative documents which provide for the suspension of dividends and/or distributions to the unsuitable Holding Entity.

(i) In the case of an Unsuitability Determination of a Material Partner, the Partnership shall redeem the Partnership Interests of all Partners in the Partner Group of which such Material Partner is a member at a price equal to the Appraisal Buyout Price of such Partnership Interests determined

in accordance with Section 8.05 hereof as of the date of the Unsuitability Determination;

(ii) In the case of an Unsuitability Determination of a non-Material Partner, the Partnership shall redeem such Partner's Partnership Interest at a price equal to the Appraisal Buyout Price of such Partnership Interest determined in accordance with Section 8.05 hereof as of the date of such Unsuitability Determination; and

(iii) In the case of an Unsuitability Determination of a Holding Entity, the Partner with respect to which such Holding Entity has a direct or indirect interest shall redeem such Holding Entity within thirty (30) days of such Unsuitability Determination or such lesser period of time as may be required by law. If for any reason such Partner fails to redeem the ownership interest of such Holding Entity, the Partnership shall redeem the entire Partnership Interest of such Partner at the Appraisal Buyout Price determined in accordance with Section 8.05 hereof as of the date of such Unsuitability Determination.

(c) If a Partner's Partnership Interest or Offer Related Partnership Interest is redeemed pursuant to Sections 11.01(b) hereof, the Partnership Interest or Offer Related Partnership Interest redeemed shall be re-allocated to the remaining Material Partners pro rata in accordance with their Percentage Shares in the Partnership. If a Partner's entire

Partnership Interest is redeemed pursuant to this Section 11.01, such Partner shall cease to be a Partner in the Partnership.

11.02 Other Gaming Qualifications

(a) If any Material Partner reasonably determines that the affiliation of such Material Partner with another Partner, or any of its Holding Entities Controlled by, under common Control with, or Controlling such Person, will threaten any gaming or alcoholic beverage license, permit, approval, or other entitlement that such affected Partner or any Affiliates that are Controlled by, under common Control with, or Controlling such Partner hold or apply for in any jurisdiction other than the State solely because of matters relating to the gaming suitability of such Person, such Material Partner may invoke the buy/sell remedy set forth in Section 8.03 hereof with respect to (i) the objectionable Partner if such objectionable Partner is a non-Material Partner, (ii) the Partner Group containing the objectionable Partner if such Partner is a Material Partner, (iii) in the case of an objectionable Holding Entity, the Offer Related Partnership Interest with respect to the Partner in which such objectionable Holding Entity directly or indirectly owns an interest if such Partner is a non-Material Partner, or (iv) in the case of an objectionable Holding Entity, the Partner Group of which such Partner is a member if such Partner is a Material Partner.

(b) In any case where a Material Partner exercises a buy/sell pursuant to this Section 11.02, the Material Partner shall have the option to offer in such buy/sell its entire Partnership Interest or a portion of its Partnership Interest containing Percentage Shares equal to the Percentage Shares of the objectionable Partner or Offer Related Partnership Interest in the case of an objectionable Holding Entity. If such objectionable Partner has, or if such Offer Related Partnership Interest constitutes, a Percentage Share greater than the Percentage Share of the Material Partner exercising the buy/sell, the Material Partner shall offer its entire Partnership Interest in the buy/sell.

(c) Where the Material Partner invoking this Section 11.02 elects to buy/sell the Offer Related Partnership Interest of the Partner in which such objectionable Holding Entity directly or indirectly owns an interest, if such Partner is the seller in such buy/sell, such Partner must redeem the interest of the objectionable Holding Entity with the proceeds of such sale concurrently with the closing of the buy/sell. If, for any reason, such Partner should be unwilling or unable to exercise such redemption concurrently with the closing of the buy/sell, the Material Partner invoking such buy/sell remedy shall have the right in lieu of closing the buy/sell to purchase the entire Partnership Interest of such Partner at the Appraisal Buyout Price determined in accordance with Section 8.05 hereof.

(d) Without limiting reasonableness to such circumstance, the Partners agree that such determination shall be reasonable if based upon (i) any written communication from a gaming or alcoholic beverage regulatory authority, or (ii) evidence which, if true, would violate any law, rule or regulation administered by any such regulatory authority, so long as such evidence is not induced in bad faith by its recipient, or (iii) even if such evidence is induced in bad faith by its recipient, such evidence is true and accurate. To the extent that notice and cure remedies are made available by such jurisdiction and may be pursued without risk to the affected Partner, the buy/sell remedy may not be invoked unless cure is not effected within the time permitted by such jurisdiction.

11.03 Lender Suitability. If any lender to the Partnership or Holding Entity of the Partnership (other than a Holding Entity which is exempt from a suitability determination by LEDGC) is determined by LEDGC to be unsuitable, the result of which is to threaten the revocation, suspension, termination or rescission of the Casino Operating Contract or result in any other penalty to the Partnership, and if the Partnership or such Holding Entity shall not have taken such action as shall be necessary to cure such unsuitability within any cure period available under the Casino Act or any rule or regulation promulgated thereunder, or if no cure period is specifically provided (but cure is permitted), if the unsuitability is not cured in accordance with applicable gaming law, rule or regulation, then to the extent and so long as provided by

applicable law (i) all payments to such lender shall be suspended and escrowed, (ii) such lender shall immediately divest itself of all loans made to the Partnership or such Holding Entity and (iii) such lender shall be subject to any other remedies as shall be required by applicable law. If, notwithstanding the application of, or failing the enforcement of, the preceding sentence, the Holding Entity has not satisfactorily complied with the requirements of the Casino Act or LEDGC so as to eliminate such lender unsuitability, the Partnership Interest of the Partner owned in whole or in part by such Holding Entity shall be subject to redemption in the manner set forth in Section 11.01 hereof. Redemption shall be initiated by the Partnership at the request of any Material Partner. If any Material Partner reasonably determines that the existence of a loan from a lender to the Partnership will threaten any gaming license, permit, approval, or other entitlement that such affected Partner or any Affiliates of such Partner, hold or apply for in any jurisdiction, such Material Partner may, at no cost to the Partnership or any other Partner, (i) require the Partnership to exercise any redemption rights in any loan documents with such lender and redeem such loan so long as such Material Partner makes an unsecured loan to the Partnership (with the same interest and maturity provisions as the redeemed loan) of the funds necessary to effect such redemption or procures an unsecured loan for the Partnership (with the same interest and maturity provisions as the redeemed loan) from a lender satisfactory to the Partnership and so long as such loan is in compliance with the Partnership's loan documents, (ii) require

the Partnership to exercise any rights in any loan documents with such lender to procure a suitable lender or lenders which assume and accept the rights and obligations of the objectionable lender, or (iii) with the consent of such lender as may be required in any loan documents with such lender, procure a suitable lender or lenders that assume and accept the rights and obligations of the objectionable lender.

ARTICLE 12

DISPUTE RESOLUTION

12.01 Buy/Sell. In the event of a disagreement by the Representatives of the Represented Groups relating to a vote on any Major Decision, from and after the earlier of (i) the third anniversary of the opening of the Permanent Casino, or (ii) the fifth anniversary of the date hereof, and notwithstanding the outcome of any arbitration pursuant to Section 12.02 hereof, any Represented Group may elect to exercise the buy/sell remedy in accordance with Section 8.03 hereof; provided that (A) there shall not exist with respect to the exercising Represented Group any Event of Default or event which, with the giving of notice or passage of time, would constitute an Event of Default, (B) the exercising Represented Group may only exercise such buy/sell remedy if an arbitration shall have first been initiated under Section 12.02 hereof and such arbitration shall have either concluded or a period of sixty (60) days from initiation of such

arbitration shall have elapsed, and (C) the exercising Represented Group may only exercise such buy/sell during the period beginning with the earlier of the end of such sixty (60) day period or arbitration decision and ending one hundred eighty (180) days after the earlier of the end of such sixty (60) day period or arbitration decision.

12.02 Arbitration

(a) In the event of a failure of the Represented Groups to reach Unanimous Approval with respect to any Partnership decision other than decisions specified in Sections 5.01(e) and (f) hereof, an arbitration shall be conducted in accordance with the following procedures:

(i) Any Represented Group may serve upon the other Represented Groups a written notice stating that such Represented Group desires to have such dispute reviewed by a board of three (3) qualified and disinterested arbitrators who are not Affiliates that are Controlled by, under common Control with, or Controlling any Partner in such Represented Group or any other arbitrator acting hereunder and naming the person whom such Represented Group has designated to act as an arbitrator. Within fifteen (15) days after receipt of the arbitration notice, the other Represented Groups acting together shall use their best efforts jointly to designate a person to act as arbitrator and shall notify the Represented Group requesting arbitration of such designation and the name of the Person so designated.

(ii) If the other Represented Groups are unable to agree on the joint selection of an arbitrator within said fifteen (15) days, each Represented Group shall select an arbitrator independently.

(iii) Where the other Represented Groups are acting together, or one of the other Represented Groups fails timely to select an arbitrator but another Represented Group timely selects an arbitrator, the two (2) arbitrators designated as aforesaid shall promptly select a third arbitrator, and if such arbitrators are not able to agree on such third arbitrator, then either arbitrator, on five (5) days notice in writing to the other, or both arbitrators, shall apply to the branch of the American Arbitration Association nearest to the Property to designate and appoint such third arbitrator.

(iv) If all Represented Groups upon whom such written request for arbitration is served shall fail to designate an arbitrator within fifteen (15) days after receipt of such notice, then the arbitrator designated by the Represented Group requesting arbitration shall act as the sole arbitrator and shall be deemed to be the unanimously approved arbitrator to resolve such dispute. The decision and award of such sole arbitrator shall be binding upon the Partners.

(v) If two appointed arbitrators have selected a third arbitrator the decision and award of a majority of the arbitrators shall be binding upon the Partners.

(vi) If each Represented Group has selected an arbitrator and there remains three (3) Represented Groups at such time, the three arbitrators so selected shall use their best efforts to agree on the resolution of the arbitrated matter pursuant to Section 12.02(b) hereof. If such arbitrators are unable to reach a unanimous decision as to a disputed matter, the arbitrators shall unanimously select an independent qualified arbitrator who will act as the sole arbitrator. If the three (3) arbitrators are unable to select an independent arbitrator to act as the sole arbitrator, any Represented Group may apply to the branch of the American Arbitration Association nearest to the Property to designate and appoint such independent arbitrator who will act as the sole arbitrator. The decision and award of such sole arbitrator shall be binding upon the Partners.

(vii) The fees and expenses of the arbitrators shall be paid in equal shares by the Represented Group(s) whose position is not adopted by the arbitrators. The award of any arbitrators made in accordance with this Section 12.02 shall be binding on the Partners and enforceable in any court of competent jurisdiction.

(b) In all arbitration proceedings submitted to the arbitrators, the arbitrators shall be required to agree upon and approve the substantive position advocated by one Represented Group with respect to each disputed item. The arbitrators shall make their decision based solely on the best interests of the Partnership and the Project. All proceedings by the arbitrators

shall be conducted in accordance with the Uniform Arbitration Act, except to the extent the provisions of such Act are modified by this Agreement or the mutual agreement of the parties. Unless otherwise agreed, all arbitration proceedings shall be conducted in the City.

(c) In the event of any disagreement as to a matter subject to arbitration under the Management Agreement, arbitration shall occur pursuant to Article 20.02 of the Management Agreement rather than pursuant to this Section 12.02.

ARTICLE 13

ADMINISTRATION

13.01 Bank Accounts. Except as otherwise provided in the Management Agreement, all funds of the Partnership not otherwise invested shall be deposited as the Partnership shall determine, and withdrawals shall be made only on the signature of such Person or Persons as the Partnership may from time to time designate.

13.02 Books and Records. Except as otherwise provided in the Management Agreement, the books and records of the Partnership may be maintained at any office and by any Person designated by the Partnership, provided that a copy of such books and records shall be maintained at the principal office of the

Partnership and at the Temporary Casino or the Permanent Casino, as the case may be, and shall be available for examination there by any Material Partner, or its duly authorized certified public accountant or lawyer, at any and all reasonable times during regular business hours. The Partnership shall maintain such books and records and provide such financial or other statements as the Partnership may deem advisable. A current list of the full name and last known address of each Partner, a copy of the this Agreement and all amendments hereto and executed copies of all powers of attorney pursuant to which this Agreement or any amendment has been executed, copies of the Partnership's federal, state and local income tax returns and reports, if any, for the three (3) most recent years after the date hereof, any financial statements of the Partnership for the three (3) most recent years after the date hereof, and the Partnership's books, shall be maintained at the principal office of the Partnership. Except as otherwise provided in the Management Agreement, the Partnership's accountants and auditors shall be selected by the Partnership.

13.03 Notices. The address of each of the Partner Groups shall for all purposes be as set forth below unless otherwise changed by the applicable Partner Group by notice to the others as provided herein.

Harrah's: Harrah's New Orleans Investment Company
c/o The Promus Companies Incorporated
1023 Cherry Road
Memphis, Tennessee 38117
Phone: (901) 762-8600
Fax: (901) 762-8914

Attn: Colin V. Reed
Senior Vice President

with a copy to:

Harrah's New Orleans Investment Company
c/o The Promus Companies Incorporated
1023 Cherry Road
Memphis, Tennessee 38117
Phone: (901) 762-8600
Fax: (901) 762-8777

Attn: General Counsel

NOLDC: New Orleans/Louisiana Development Company
c/o Gauthier and Murphy
3500 North Hullen
Metairie, Louisiana 70002
Phone: (504) 456-8600
Fax: (504) 456-8624

Attn: Wendell H. Gauthier, Esq.
Chairman of the Board

with a copy to:

Monroe & Lemann
201 St. Charles Avenue
Suite 3300
New Orleans, Louisiana 70170
Phone: (504) 586-1900
Fax: (504) 581-7312

Attn: John D. Wogan, Esq.

Grand Palais: Grand Palais Casino, Inc.
111 Rue D'Iberville
New Orleans, Louisiana 70130
Phone: (504) 524-4422
Fax: (504) 524-0880

Attn: Christopher B. Hemmeter
Chairman of the Board

with a copy to:

Shefsky & Froelich Ltd.
444 North Michigan Avenue, Suite 2300
Chicago, Illinois 60611
Phone: (312) 527-4000
Fax: (312) 527-9897

Attn: Cezar M. Froelich, Esq.

All notices or other communications required or permitted to be given pursuant to the provisions of this Agreement shall be in writing and shall be considered as properly given if mailed by certified United States mail, postage prepaid, with return receipt requested, by overnight courier service, or by facsimile transmission with reception confirmed. Notices hereunder in any manner shall be effective only if and when received by the addressee. Certified mail receipt or express

courier receipt at the above addresses shall establish receipt for purposes of notices under this Agreement.

ARTICLE 14

FISCAL MATTERS

14.01 Fiscal Year. The fiscal year of the Partnership shall be the calendar year.

14.02 Accounting Decisions. Except as otherwise provided in the Management Agreement, all decisions as to accounting elections, whether for book or tax purposes (and such decisions may be different for each such purpose), shall be approved by the Partnership.

14.03 Tax Returns. The Partnership, with the assistance of its accountants, will prepare and timely file federal and state income tax returns of the Partnership. As promptly as practicable, and in any event, in sufficient time to permit timely preparation and filing by each Partner of its respective federal and state tax returns, the Partnership shall deliver to each Partner a copy of each federal and state tax return or tax report filed by the Partnership. Harrah's shall be the tax matters Partner.

14.04 Elections. To the extent that the Partnership may or is required to make elections for federal, state or local tax purposes, and to the extent that Partners may or are required to make such elections concerning the business and properties of the Partnership and such elections may not be made in different ways by different Partners, such elections shall be made in such manner as is best calculated, in the judgment of the Partnership, to minimize taxable income of the Partnership and maximize deductions therefrom.

14.05 Partnership Expenses. The Partnership shall pay or reimburse the Material Partners for all expenses (which expenses may be billed directly to the Partnership) of the Partnership incurred following the execution of this Agreement that are approved by the Partnership which may include, but are not limited to: (a) all costs of personnel employed by the Partnership and involved in the business of the Partnership; (b) all costs of borrowed money, taxes and assessments on the Property and other taxes applicable to the Partnership; (c) legal, audit, accounting, brokerage and other fees; (d) printing and other expenses and taxes incurred in connection with the issuance, distribution, Transfer, registration and recording of documents evidencing ownership of a Partnership Interest or in connection with the business of the Partnership; (e) fees and expenses paid to independent contractors, mortgage bankers, brokers and services, leasing agents, consultants, on-site managers, real estate brokers, insurance brokers and other agents; (f) expenses in connection with the disposition,

replacement, alteration, repair, remodeling, refurbishment, leasing, refinancing and operation of the Property or other Partnership assets (including the costs and expenses of foreclosures, insurance premiums, real estate brokerage and leasing commissions, and maintenance); (g) the cost of insurance as required in connection with the business of the Partnership; (h) expenses of organizing, revising, amending, converting, modifying or terminating the Partnership; (i) expenses in connection with distributions made by the Partnership to, and communications and bookkeeping and clerical work necessary in maintaining relations with, the Partners, including the cost of printing and mailing to such persons various notices or other communications; (j) expenses in connection with preparing and mailing reports required to be furnished to the Partners for investor, tax reporting or other purposes, or which reports the Partners deem the furnishing thereof to be in the best interests of the Partnership; (k) costs of any accounting, statistical or bookkeeping equipment necessary for the maintenance of the books and records of the Partnership; (l) the cost of preparation and dissemination of the information, material and documentation relating to a potential sale, refinancing or other disposition of the Property or other Partnership assets; (m) the cost of any appraisals of the Property as may be required by financings, any Partner's internal procedures or any regulatory reporting requirements on an annual or special basis; and (n) any letter of credit fees or expenses incurred by the Partners or their Affiliates in connection with development of the Property

Controlled by, under common Control with, or Controlling such Partner.

ARTICLE 15

TERMINATION

15.01 Events of Dissolution. The Partnership shall be dissolved on the earliest to occur of:

(a) the expiration of the term of the Partnership;

(b) the passage of thirty (30) days after the conversion to cash or its equivalent, sale or other disposition of all of the Partnership assets;

(c) the election by all of the Represented Groups to dissolve the Partnership;

(d) the termination of the Management Agreement in accordance with the terms thereof, unless the Material Partners other than Harrah's elect to within ninety (90) days continue the Partnership on such a basis as such Material Partners shall decide; provided that if such Material Partners so elect, Harrah's shall have the option, for a period of sixty (60) days following such election to continue the Partnership, to require the Partnership to acquire its entire Partnership Interest on the

same terms as an Appraisal Buyout pursuant to Section 8.05 hereof with the Appraisal Buyout Price computed based on one hundred percent (100%) of Appraised Value;

(e) the dissolution of any Partner, unless the remaining Partners elect within ninety (90) days to continue the Partnership on such a basis as the Partnership shall decide;

(f) the bankruptcy of any Partner, unless the remaining Partners elect within ninety (90) days to continue the Partnership on such a basis as the Partnership shall decide; and

(g) the occurrence of any other event requiring the dissolution of the Partnership under the laws of the State, unless the remaining Partners elect within ninety (90) days to continue the Partnership on such a basis as the Partnership shall decide.

15.02 Winding Up

(a) Upon the dissolution of the Partnership pursuant to Section 15.01 hereof, the Partnership business shall be wound up out of court and its assets liquidated by the Liquidator as provided in this Section 15.02, and the net proceeds of such liquidation shall be distributed in accordance with Section 15.03 hereof. The "Liquidator," as used herein shall mean such Person who may be appointed by the Nondefaulting Partners (or in accordance with applicable law if such Nondefaulting Partners

fail to make such appointment). The Liquidator shall be responsible for taking all action necessary or appropriate to wind up the affairs and distribute the assets of the Partnership upon its dissolution.

(b) The Liquidator shall file all certificates and notices of the dissolution of the Partnership required by law. The Liquidator shall proceed without any unnecessary delay to sell and otherwise liquidate the Partnership's assets; provided, however, that if the Liquidator shall determine that an immediate sale of part or all of the Partnership assets would cause undue loss to the Partners, then, in order to avoid such loss, the Liquidator may defer the liquidation, to the extent permitted by law.

15.03 Distribution on Dissolution and Termination

(a) Upon dissolution of the Partnership, the net proceeds of such liquidation shall be applied and distributed in the following order of priority; provided that the higher level(s) of priority have been fully satisfied and provided further that if the Capital Account of any Partner shall have a negative balance after giving effect to the allocation of tax items and giving effect to any debts, liabilities or other obligations of the Partnership, such Partner shall pay to the Partnership the amount of such negative balance not later than ten (10) days from the date of written notice to such effect from the Liquidator or any Represented Group (but in no event later

than the end of the Partnership taxable year in which such liquidation occurs, or, if later, within ninety (90) days after the date of such liquidation):

(i) to pay expenses of liquidation, and to the setting up of any reserves for (A) contingent or unforeseen obligations, debts or liabilities of the Partnership which may be deemed reasonably necessary by the Partnership's accountants, (B) amounts required by any contracts or agreements of the Partnership, or (C) such other purposes as the Partnership may decide. Such reserves shall be paid over to an escrowee designated by the Liquidator to be held for the purpose of disbursing such reserves in payment of any of the aforementioned contingencies and, at the expiration of such period as shall be deemed advisable, to distribute the balance hereafter remaining in the manner provided in this Section 15.03;

(ii) to repay any principal and interest due on any Partner Loans made or deemed made pursuant to Section 3.03(c) hereof on a first in - first out basis, and if there are more than one Partner Loan made or deemed made pursuant to Section 3.03(c) hereof of equal priority, on a pari passu basis;

(iii) to the Partners pro rata in accordance with their Percentage Shares, any amount remaining in the Tax Reserve;

(iv) subject to Section 4.05 hereof, to repayment to the Partners first of any interest due on any Partner Loans

other than those made or deemed made pursuant to Section 3.03(c) hereof pari passu in accordance with the total amount of interest outstanding on all such Partner Loans and, second of any principal due on any Partner Loans other than those made or deemed made pursuant to Section 3.03(c) hereof pari passu in accordance with the total amount of principal outstanding on all such Partner Loans, or in such other order of priority as the Partnership shall agree upon at the time any Partner Loan other than those made or deemed made pursuant to Section 3.03(c) hereof is approved by the Partnership; and

(v) subject to Section 4.05 hereof, thereafter, to the Partners in respect of the balances, if any, remaining in their Capital Accounts; provided, however, that all Capital Account balances shall be determined after taking into account all Capital Account adjustments for the Partnership taxable year during which such liquidation occurs.

(b) If there is not a pro rata distribution of each asset, asset distributions in kind shall be appraised by appraisers retained by the Liquidator, if necessary, so that each Partner receives its pro rata share of net Partnership assets as appraised. The Capital Accounts shall be adjusted prior to such distribution in kind as if such asset were sold at its Appraised Value. It shall not be a requirement that each Partner receive a pro rata share of each asset available for Distribution to the Partners on dissolution. In the event valuation of the assets of the Partnership cannot be agreed upon, such assets shall be

valued at their fair market value as determined by appraisers retained by the Liquidator. The Liquidator may retain such appraisers and other consultants as may be necessary and advisable, all at the expense of the Partnership, in connection with the wind-up of the Partnership affairs. No Partner shall have any right to demand or receive property other than cash upon dissolution and termination of the Partnership.

(c) A reasonable time shall be allowed for the orderly liquidation of the assets of the Partnership and the discharge of liabilities as to creditors.

(d) Within ninety (90) days after the complete liquidation of the Partnership, the Liquidator shall furnish to each of the Partner Groups a financial statement for the period from the first day of the then current fiscal year through the date of such complete liquidation certified by the Partnership's certified public accountant. Such statement shall include a Partnership statement of operation for such period and a Partnership balance sheet as to the date of such complete liquidation.

(e) Each Partner shall look solely to the assets of the Partnership for all distributions with respect to the Partnership and its Capital Contribution thereto and share of profits and losses thereof, and shall have no recourse therefor (upon dissolution or otherwise) against the other Partners or the Liquidator except to the extent of any requirement of any Partner

to pay to the Partnership its negative capital balance pursuant to this Section 15.03. It is expressly understood and agreed that the Partners shall not be personally liable for the return or repayment of all or any portion of the capital of any Partner except to the extent of any requirement of any Partner to pay to the Partnership its negative capital balance pursuant to this Section 15.03 which shall survive the termination of its status as Partner.

ARTICLE 16

COVENANTS

16.01 Competing Business

(a) For purposes of this Section 16.01, the following shall all be the "Restricted Parties": each Partner, William C. Broadhurst, Eddie L. Sapir, Christopher B. Hemmeter, Wendell H. Gauthier, Carl J. Eberts, Calvin C. Fayard, Jr., Ronald M. Lamarque, Duplain W. Rhodes, III, Louie Roussel, III, Michael X. St. Martin, John J. Cummings, III, T. George Solomon, Jr. and all Affiliates Controlled by, under common Control with, or Controlling such Person. Any Restricted Party may directly or indirectly, engage and possess any right or interest in the ownership, operation, management, income, or profits of any other business venture of any nature, kind or description, including, without limiting the generality of the foregoing, any business

venture engaged in the same type of business as the Partnership, even if such other business is competitive with that of the Partnership, and the development, ownership, financing and management of casino and other gaming operations of any kind whatsoever; provided, however, that except as expressly permitted herein, no Restricted Party, so long as such Restricted Party owns any direct or indirect beneficial interest in the Partnership, other than an Institutional Investor may be associated with the development, ownership, financing or management of (i) casino and other gaming operations in Orleans, Plaquemines, St. Charles, St. Bernard, St. Tammany and Jefferson Parishes in the State (the "Named Parishes") or (ii) any of the properties known as (A) Canal Place Project, including the office tower known as One Canal Place, 365 Canal Street, in the City; the Canal Place Shopping Mall, hotel facility and garage facility, all located on lots 1CP and 2CP, Second Municipal District, in the City, (B) International Trade Mart Building, including all land and improvements, located at 2 Canal Street, in the City and (C) the hotel operation known as the Westin Canal Place, located on lot 2CP, Second Municipal District, in the City (the "Non-Casino Investments").

(b) The investments of Grand Palais Riverboat, Inc. and its Affiliates that are Controlled by, under common Control with, or Controlling Grand Palais Riverboat, Inc. in the Grand Palais Riverboat and Carl J. Eberts and Louie Roussel III in the Star Casino Riverboat are hereby permitted by the Partnership to the extent permitted by State law and not violative of the

Rivergate Lease or the Temporary Casino Lease. The Partners agree not to directly or indirectly through Affiliates, agents or other Persons engage in any lobbying activities with respect to any legislation which would abolish either such riverboat or cause either such riverboat to be subject to rules or regulations which are more restrictive than current laws or regulations applicable to either such riverboat.

(c) Other than investments described in Section 16.01(b) hereof, gaming or casino investments in the Named Parishes and/or the Non-Casino Investments by the Restricted Parties are hereby permitted by the Partnership if each Material Partner is given a right of first refusal to participate in such projects in accordance with its Percentage Share at the time of such offer, except that no Defaulting Partner shall have the right to so participate.

(d) Except for any such permitted investments in the Named Parishes, neither the Partnership nor any of its Partners shall have any right or interest in the ownership, operation, management, income, or profits of any other gaming or casino business venture in the Named Parishes.

(e) Except for investments in the Named Parishes other than those set forth in Section 16.01(a)(i) hereof, no Partner need disclose to any other Partner or the Partnership any other business venture in which it may have an interest or any other business opportunity presented to it, even if such opportunity is

of a character which, if presented to the Partnership, could be taken by the Partnership, and each Partner shall have the right to take for its own account or to recommend to others any such particular investment opportunity or business venture.

(f) Notwithstanding the foregoing, in no event shall any Partner or any Affiliate of such Partner bound by such agreement engage in any business venture to the extent same is prohibited under any agreement to which has been approved by the Partnership, or by which any of its property or assets are bound.

16.02 Prohibited Payments. Each Partner agrees that it and its Affiliates Controlled by, under common Control with, or Controlling such Partner will conduct their activities, and will cause any activities conducted on their behalf to be conducted, in a lawful manner and specifically will not engage in the following transactions:

(a) payments or offers of payment, directly or indirectly, to any domestic or foreign government official or employee in order to obtain business, retain business or direct business to others, or for the purpose of inducing such government official or employee to fail to perform or to perform improperly his official functions;

(b) receive, pay or offer anything of value, directly or indirectly, from or to any private party in the form of a

commercial bribe, influence payment or kickback for any such purpose; or

(c) use, directly or indirectly, any funds or other assets of the Partnership for any unlawful purpose including, without limitation, political contributions in violation of applicable law.

16.03 Securities Law Requirements. NOLDC and Grand Palais acknowledge that Harrah's is owned by a publicly held corporation and that trading in the securities of such corporation based on non-public information or unauthorized disclosure or other use of material developments could expose Harrah's and Affiliates that are Controlled by, under common Control with, or Controlling Harrah's, NOLDC and Grand Palais to significant penalties. NOLDC and Grand Palais shall take appropriate precautions to inform its employees and agents of such requirements. In the event NOLDC and/or Grand Palais or any Affiliates that are Controlled by, under common Control with, or Controlling NOLDC and/or Grand Palais, as the case may be, becomes a publicly held corporation, the Represented Groups shall take appropriate precautions to inform each of their respective employees and agents that trading in the securities of NOLDC and/or Grand Palais or any Affiliates that are Controlled by, under common Control with, or Controlling NOLDC and/or Grand Palais, as the case may be, based on non-public information or unauthorized disclosure or other use of material developments

could expose NOLDC, Grand Palais and Harrah's to significant penalties.

16.04 Regulatory Information. Each Partner shall provide to the Partnership or regulatory agency, as the case may be, as required by applicable law, all information pertaining to the Partnership and the Project and each Partner's officers, directors, shareholders, financial sources, and associations as shall be required by any federal or state securities law or any regulatory authority with jurisdiction over the Partnership, the Project, or any Partner or any Affiliates that are Controlled by, under common Control with, or Controlling such Person including, without limitation, regulatory authorities in the State and the States of Illinois, Nevada, New Jersey, or any other state.

16.05 Confidentiality

(a) Any financial information in connection with the Property or the Project in the possession of any Partner which has not been generally disclosed to the public shall be held in confidence and shall not be disclosed to any Person other than Partners, employees, attorneys, agents, or lenders other than a Disqualified Buyer of the Partners and their Affiliates Controlled by, under common Control with, or Controlling such Partner, except as may be required by any regulatory authority having jurisdiction or by any other applicable law, rule, regulation, or requirement of any governmental entity. Any disclosure of confidential information to any employee, attorney,

agent or lender shall be kept in confidence and delivered to such Persons subject to a written confidentiality agreement benefitting the Partnership, as approved by the Executive Committee, except as may be required by any regulatory authority having jurisdiction or by any other applicable law, rule, regulation, or requirement of any governmental entity.

(b) Each Partner other than Harrah's agrees that it shall keep confidential all Partnership information regarding marketing strategies or methods of operation or any proprietary information in its possession or knowledge.

16.06 Holding Entity Requirements

(a) Harrah's, NOLDC, Grand Palais and any additional or substitute Partner shall incorporate provisions into their articles of incorporation, charters, partnership agreements or other formative documents substantially in the form of Exhibit H-1 attached hereto and by this reference incorporated herein. Subject to Section 16.06(b) hereof, each Partner shall assure that (i) each Holding Entity owning a direct ownership interest in such Partner and (ii) each of its other Holding Entities Controlled by, under common Control with or Controlling such Partner (but such other Holding Entities shall exclude any Institutional Investor or any other Holding Entity that is exempt from a suitability determination by LEDGC, or has been waived from a suitability determination by LEDGC) at no cost to any other Partner shall incorporate provisions into their articles of

incorporation, charters, partnership agreements or other formative documents substantially in the form of Exhibit H-1 hereto; provided that in no event shall any Holding Entity whose equity securities are publicly traded pursuant to the Securities Exchange Act of 1934, as amended, and traded on the New York Stock Exchange, the American Stock Exchange or NASDAQ be required to include in its formative documents paragraph (B) of the first paragraph of Exhibit H-1 hereto or the last paragraph of Exhibit H-1 hereto. Each Partner shall assure that any provisions required of any of its Holding Entities by this Section 16.06(a) are enforced and that each of its Holding Entities Controlled by, under common Control with, or Controlling such Partner shall not amend such provisions without the approval of the Partnership. Subject to 16.06(b) hereof, each Partner has delivered to the Partnership a copy of the formative documents of its Holding Entities containing the provisions required by this Section 16.06(a) certified by a secretary, partner or other authorized Person, as being true and correct and adopted in accordance with its formative documents.

(b) Any Holding Entity of Harrah's presently in existence other than The Promus Companies Incorporated, shall not be required to comply with Section 16.06(a) hereof until July 15, 1994. The Promus Companies Incorporated shall not be required to comply with Section 16.06(a) hereof, to the extent it is obligated to do so pursuant to Section 16.06(a) hereof, until July 15, 1995. Promptly upon complying with the provisions of Section 16.06(a) hereof, such Holding Entity shall deliver a copy

of its formative documents containing the provisions required by Section 16.06(a) hereof certified by a secretary, general partner, trustee or other authorized Person, as being true and correct and adopted in accordance with its formative documents.

(c) Each Partner and all Holding Entities Controlled by, under common Control with or Controlling such Partner (other than those exempt from application of the legend) shall deliver to the Partnership a representative copy of any evidence of an ownership interest in such Holding Entity containing a legend substantially in the form of Exhibit H-3 hereto. Each Partner shall use reasonable efforts to assure that any evidence of ownership of any of its other Holding Entities shall contain a legend substantially in the form of Exhibit H-3 hereto.

(d) Each Partner shall assure that any evidence of ownership of each Holding Entity that is Controlled by, under common Control with or Controlling such Partner (other than any Institutional Investor or Holding Entity that is exempt from a suitability determination by LEDGC, or has been waived from a suitability determination by LEDGC) shall contain a legend substantially in the form of Exhibit H-5 hereto. Each Partner shall use reasonable efforts to assure that any evidence of ownership of any of its other Holding Entities shall contain a legend substantially in the form of Exhibit H-5 hereto. In no event shall the legend requirements of this Section 16.06(d) apply to any evidence of ownership of any Holding Entity which is publicly traded pursuant to the Securities Exchange Act of 1934,

as amended, and traded on the New York Stock Exchange, the American Stock Exchange, or NASDAQ.

(e) Without diminishing the rights of the Material Partners or the Partnership under Article 11 hereof, each Partner shall at its sole cost and expense remove any Person within its chain of ownership (on or after August 11, 1993 and prior to the date hereof) who is determined by LEDGC, as part of the initial determination of suitability of such Person, to be unsuitable. The remaining Partners shall bear no cost of removal of any such Person. Each Partner agrees to comply with any requirements of LEDGC in connection with any such removal.

(f) Harrah's, NOLDC and Grand Palais have delivered to the Partnership a copy of their shares of capital stock containing a legend on both sides of such stock certificate substantially in the form of Exhibit H-4 hereto and shall assure that such legend is enforced and not amended without the approval of the Partnership. At such time as any additional or substitute Partner hereafter acquires a Partnership Interest, such Partner shall deliver to the Partnership a copy of its shares of capital stock containing a legend on both sides of such stock certificate substantially in the form of Exhibit H-4 hereto and shall assure that such legend is enforced and not amended without the approval of the Partnership, and if required, of LEDGC.

16.07 Lender Requirements. Harrah's, NOLDC, Grand Palais and any additional or substitute Partners shall assure

that any loan documents evidencing loans for borrowed money from any lender to such entity shall include provisions substantially in the form of Exhibit H-2 attached hereto and by this reference incorporated herein, or otherwise sufficient to permit such entity to comply with Section 11.03 hereof.

16.08 Supplementary Restrictions. The requirements of Sections 16.06 and 16.07 hereof regarding provisions in formative documents and loan documents and legends on securities substantially in the form of Exhibits H-1, H-2, H-3, H-4 and H-5 hereto shall not restrict the Partnership or any Holding Entity from adopting, requiring, or including provisions in any formative documents, loan documents or securities legends in addition to the provisions and legends required by Sections 16.06 and 16.07 hereof; provided that the Partnership, Harrah's, Grand Palais, NOLDC and any additional or substitute Partners shall use best efforts to include such provisions in any loan documents to the extent required to do so by LEDGC.

ARTICLE 17

MISCELLANEOUS

17.01 Governing Law. This Agreement and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State without application of conflict of laws principles.

17.02 Successors and Assigns. Any Person acquiring or claiming an interest in the Partnership, in any manner whatsoever, shall be subject to and bound by all terms, conditions and obligations of this Agreement to which its or his predecessor in interest was subject or bound, without regard to whether such a Person has executed a counterpart hereof or any other document contemplated hereby. No Person, including the legal representative, heir or legatee of a deceased Partner, shall have any rights or obligations greater than those set forth in this Agreement and no Person shall acquire a Partnership Interest or become a Partner hereof except as permitted by the terms of this Agreement. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their successors, assigns, heirs, legal representatives, executors and administrators.

17.03 Grammatical Changes. Whenever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in either the masculine, the feminine or the neuter gender shall include the masculine, feminine and neuter gender as the circumstances require.

17.04 Captions. Captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provision hereof.

17.05 Severability. If any provision of this Agreement, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Agreement, or the application of such provision to Persons or circumstances other than those to which it is held invalid, shall not be affected thereby; provided that the parties shall attempt to reformulate such invalid provision to give effect to such portions thereof as may be valid without defeating the intent of such provision; and further provided that this Section 17.05 shall not apply to alter the classification of the Partnership as a partnership under the Code, or to reallocate the economic benefits or burdens of this Agreement among the Partners.

17.06 Counterparts. This Agreement, or any amendment hereto may be executed in multiple counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument, notwithstanding that all of the Partners are not signatories to the original or the same counterpart. In addition, this Agreement, or any amendment hereto, may contain more than one counterpart of the signature pages, and this Agreement, or any amendment hereto, may be executed by the affixing of the signatures of each of the Partners to one of such counterpart signature pages; all of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

17.07 Other Matters. Matters not covered in this Agreement relating to partnerships shall be governed and controlled by the partnership laws of the State.

17.08 Waiver of Right to Court Decree of Dissolution and Partition. The Partners agree that irreparable damage would be done to the good will and reputation of the Partnership if any Partner should bring an action in court to dissolve this Partnership. To the extent permitted by law, each Partner hereby waives and renounces its right to seek a court decree of dissolution or to seek the appointment by a court of a liquidator for the Partnership. The Partners further agree that the Property is not and will not be suitable for partition and, accordingly, to the fullest extent permitted by applicable law, each of the Partners hereby irrevocably waives any and all rights which it may have to maintain an action for partition of the Property, or any portion thereof, or to otherwise divide (whether through an action in equity or through some other means) the beneficial interest in any nominee holding title thereto.

17.09 Amendments

(a) Any amendments or modifications to this Agreement may only be made and shall only be effective in writing by the Represented Group.

(b) Notwithstanding Section 17.09(a) hereof, following any buy/sell pursuant to Section 8.03 hereof, Default Loan or a

dilution pursuant to Section 8.04 hereof, Appraisal Buyout pursuant to Section 8.05 hereof, Non-Material Partner Appraisal Buyout pursuant to Section 8.06 hereof, each Partner hereby appoints the buying Partner pursuant to Section 8.03 hereof, the Default Lender pursuant to Section 8.04 hereof, the Partnership pursuant to Section 8.05 hereof, and Non-Material Partner Appraisal Purchaser pursuant to Section 8.06 hereof, as the case may be, as its agent and attorney, and grants an irrevocable power of attorney coupled with an interest to take any actions on behalf of such Partner to consummate any exercise of rights pursuant to such Sections 8.03, 8.04, 8.05 and 8.06 hereof, including without limitation filing or executing any notes, or such other documents as may be required to evidence a Default Loan, any instruments of Transfer to consummate any Transfer pursuant to Sections 8.03, 8.04, 8.05 or 8.06 hereof, any amendments to this Agreement to effect or give effect to any Transfers or termination of any Partner pursuant to Sections 8.03, 8.04, 8.05 or 8.06 hereof, or any other documents necessary to effect any such exercise of rights. Each Partner hereby agrees that any Transfer or termination of a Partner pursuant to Sections 8.03, 8.04, 8.05 or 8.06 hereof may be fully evidenced and consummated by execution pursuant to such power of attorney of an amendment to this Agreement reflecting such Transfer or termination of such Partner.

17.10 Succeeding Business Day. If any designated date pursuant to any notice provision in this Agreement falls on, or expiration of any period to elect to exercise rights pursuant to

this Agreement expires on, a day which is not a Business Day, such designated date or expiration period to elect to exercise rights shall be deemed to be, or occur on, the next succeeding Business Day.

17.11 Conflicts. In the event of any conflict between a provision in this Agreement and a provision in the Management Agreement, the provision in the Management Agreement shall control.

17.12 Personal Property. This Agreement shall not be deemed to create in any Partner any right, title, interest or lien in, to or on all or any portion of the Property, it being understood that any right or interest of any Partner created by this Agreement shall solely be an interest in the Partnership and shall be personal property.

17.13 No Third Party Rights. This Agreement is for the sole and exclusive benefit of the Partners designated herein and the Partnership and no other Person or entity other than Manager as to those provisions affecting its interests (including any creditors of the Partnership or the Partners) shall under any circumstances be deemed to be a beneficiary of any of the rights, remedies, terms and provisions of this Agreement.

17.14 Voluntary Agreement. Each Partner has entered into this Agreement freely and voluntarily, without coercion, duress, distress, or undue influence by any other Persons or

their respective shareholders, directors, officers, partners, agents or employees.

17.15 Advice From Counsel. Each Partner understands that this Agreement may affect legal rights. Each Partner represents to the other that it has received legal advice from counsel of its choice in connection with the negotiation and execution of this Agreement and is satisfied with its legal counsel and the advice received from it.

17.16 Judicial Interpretation. Should any provision of this Agreement require judicial interpretation or construction, there shall be no presumption that the terms hereof shall be more strictly construed or interpreted against any Partner by reason of the rule of construction that a document is to be construed more strictly against the party who prepared the same.

17.17 Attorneys' Fees. Each Partner may bring any judicial action or proceeding to enforce any rights under this Agreement. If any Partner brings any judicial action or proceeding to enforce its rights under this Agreement, the prevailing Partner shall be entitled, in addition to any other remedy, to recover from the other Partners, regardless of whether such action or proceeding is prosecuted to judgment, all costs and expenses, including without limitation reasonable attorneys' fees, incurred therein by the prevailing Partner.

THUS DONE AND PASSED in multiple originals in Orleans Parish in the State, in the presence of the undersigned witnesses and Notary Public on the date first above written.

WITNESSES TO ALL SIGNATURES:

HARRAH'S NEW ORLEANS INVESTMENT COMPANY, a Nevada corporation

/s/ Dennis Bourgeois

By /s/ Colin V. Reed

Colin V. Reed

Senior Vice President

NEW ORLEANS/LOUISIANA DEVELOPMENT CORPORATION, a Louisiana corporation

/s/ Donna J. Mueller

By /s/ Wendell H. Gauthier

Wendell H. Gauthier,

Chairman of the Board

/s/ Dennis Bourgeois

GRAND PALAIS CASINO, INC., a

Delaware corporation

/s/ Donna J. Mueller

By /s/ Christopher B. Hemmeter

Christopher B. Hemmeter,

Chairman of the Board

/s/ Thomas Y. Roberson, Jr.

Notary Public

My commission expires

at death

EXHIBIT A

INITIAL CAPITAL CONTRIBUTIONS

Grand Palais	Harrah's	NOLDC
$23,333,333.33	$23,333,333.34	$23,333,333.33

AGREED AMOUNTS OF COSTS AND EXPENSES

FOR REIMBURSEMENT PURSUANT TO SECTION 3.01(f)

	Grand Palais	Harrah's	NOLDC
Soft Costs Incurred Through September 30, 1993 Eligible for Payments	$16,519,523.93	$1,021,534.84	$1,536,018.66

Note: See attached computation of the soft costs incurred through September 30, 1993 eligible for payment.

ATTACHMENT TO EXHIBIT "A"

TO HARRAH'S JAZZ COMPANY PARTNERSHIP AGREEMENT

Grand Palais

Pre-9/30/93 Expenditures Related to

Harrah's New Orleans Casino

	AMOUNTS
Costs of Properties Acquired Netted Against Parking Revenues	$17,817,567.99
Other Property Costs	1,612,467.79
Consultants Costs - General	5,659,663.73
Financing Costs	5,849,193.62
Design Fees	2,416,373.59
Consultants Costs - Planning & Development	1,748,300.32
Payments to City of New Orleans/RDC	17,106,866.19
General & Administrative Expenses	4,009,985.60
General Legal Fees	2,956,968.76
Charitable Contributions	159,319.18
Rivergate & Lease Insurance	48,218.39
City & State Proposals	902,591.20
Total	$60,287,516.36
Less Debt	$43,767,992.43
Reimbursable Amount	$16,519.523.93

ATTACHMENT TO EXHIBIT "A"

TO HARRAH'S JAZZ COMPANY PARTNERSHIP AGREEMENT

Harrah's New Orleans Investment Company
Pre-9/30/93 Expenditures Related to
Harrah's New Orleans Casino

AMOUNTS	
Salaries & Benefits of Development Project Team Members	$446,828.76
Consultants Fees and Expenses	248,226.77
General & Administrative Expenses	269,378.85
Design Fees	7,100.46
RFP Submission	50,000.00
Total	$1,021,534.84

ATTACHMENT TO EXHIBIT "A"

TO HARRAH'S JAZZ COMPANY PARTNERSHIP AGREEMENT

NOLDC
Pre-9/30/93 Expenditures Related to
Harrah's New Orleans Casino

	AMOUNTS
Salaries & Benefits of Development Project Team Members	$ 60,758.17
Consultants Fees and Expenses	193,995.16
General & Administrative Expenses	432,215.89
Legal Fees	586,613.49
Charitable Contributions	160.00
Design Fees	268,235.95
RFP Submission	3,040.00
Total	$1,536,018.66

EXHIBIT "B"

PARCEL I.

237 LAFAYETTE STREET

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

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

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

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

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

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

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

2. Assignment of Leases and Rentals by Louisiana Jazz Company to First National Bank of Commerce, dated November 30, 1993, recorded December 1, 1993, under N.A. No. 93-51173, as Conveyance Instrument No. 78945, in COB 907, folio 477.

PARCEL II.

528 SOUTH PETERS STREET

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

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

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

LIENS:
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1. Collateral Mortgage by Louisiana Jazz Co., in favor of Bearer, in the amount of $25,000,000.00, passed before L.R. Adler, Notary Public, dated November 30, 1993, recorded December 1, 1993, under N.A. No. 93-51172, as

Mortgage Office Instrument No. 2350801, in MOB 2991, folio 15.

2. Assignment of Leases and Rentals by Louisiana Jazz Company to First National Bank of Commerce, dated November 30, 1993, recorded December 1, 1993, under N.A. No. 93-51173, as Conveyance Instrument No. 78945, in COB 907, folio 477.

PARCEL III.

530 S. PETERS STREET

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

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

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

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

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

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

2. Assignment of Leases and Rentals by Louisiana Jazz Company to First National Bank of Commerce, dated November 30, 1993, recorded December 1, 1993, under N.A. No. 93-51173, as Conveyance Instrument No. 78945, in COB 907, folio 477.

PARCEL IV.

MATT I

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

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

AND

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

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

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

right of way line of Poydras Street; thence South 76 degrees, 14 minutes, 00 seconds East along the southerly right of way line of Poydras Street a distance of 45 feet, 11 inches, 6 eighths (45.92' Title) to the POINT OF BEGINNING (the "Land and Improvements").

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

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

2. Assignment of Leases and Rentals by Louisiana Jazz Company to First National Bank of Commerce, dated November 30, 1993, recorded December 1, 1993, under N.A. No. 93-51173, as Conveyance Instrument No. 78945, in COB 907, folio 477.

PARCEL V.

508-510 SOUTH PETERS STREET

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

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

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

LIENS:
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1. Collateral Mortgage by Celebration Park Casino, Inc., in favor of future holder or holders of the collateral mortgage note thereby secured, in the amount of $50,000,000.00, passed before Margaret T. Alphonso, Notary Public, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962316, as Mortgage Office Instrument No. 190775; in MOB 2923, folio 400, as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., passed before Kay W. Eagan, Notary Public, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03466, as Mortgage Office Instrument No. 194606, records of Orleans Parish Louisiana; as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., dated February 1, 1993, recorded February 1, 1993, under N.A. No. 93-05848, as Mortgage Office Instrument No. 196614; as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., dated April 27, 1993, recorded April 27, 1993, under N.A. No. 93-18039, as Mortgage Office Instrument No. 206500, in MOB 2950, folio 478; as supplemented by Act of Supplement to Collateral Mortgage dated February 23, 1994, recorded at N.A. No. 94-11052 on March 3, 1994.

2. Collateral Assignment of Leases and Rents by Celebration Park Casino, Inc. to The Connecticut National Bank, as Trustee, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962317, as Conveyance Office Instrument No. 62223; as amended by Act of Amendment of Collateral Assignment of Leases and Rents by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 28, 1993, recorded January 29, 1993, under N.A. No. 93-05563, as Conveyance Office Instrument No. 64215.

3. Collateral Assignment of Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., to The Connecticut National Bank, as Trustee, dated December 15, 1992, recorded December 16,

1992, under N.A. No. 962318, as Conveyance Office Instrument No. 62224, as supplemented by Supplement to Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., to Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03468, as Conveyance Office Instrument No. 63716, COB 891, folio 329-332; as amended by Act of Amendment to (1) Collateral Assignment of Agreements of Purchase and Sale and Option Agreement, and (2) Supplement to Collateral Assignment of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 28, 1993, recorded January 29, 1993, under N.A. No. 93-05565, as Conveyance Office Instrument No. 64217; as amended by Second Supplement to Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee and Collateral Agent, dated April 7, 1993, recorded April 8, 1993, as under N.A. No. 93-15549, Conveyance Office Instrument No. 67309; as partially released by Act of Partial Release of Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), dated November 30, 1993, recorded December 1, 1993, under N.A. No. 93-51163, Conveyance Office Instrument No. 78936.

4. Collateral Assignment of Additional Leases and Rents by Celebration Park Casino, Inc., to Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03467, as Conveyance Office Instrument No. 63715, COB 891, folio 320-328; as amended by Act of Amendment of Collateral Assignment of Additional Leases and Rents by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 28, 1993, recorded January 29, 1993, under N.A. No. 93-05564, as Conveyance Office Instrument No. 64216.

PARCEL VI.

MATT II

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

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

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

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

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

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

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

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

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

5. A LOT OF GROUND, together with all the buildings and improvements thereon, and all the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in anywise appertaining, situated in the First District of New

Orleans, in SQUARE NO. 5, bounded by Front, Fulton, Lafayette and Girod Streets, designated as LOT NO. 1, on a plan certified by Hugh Grant, late Surveyor of Municipality No. 1, under date of January 12, 1852, and deposited for reference in the office of H.B. Conas, then Notary, which said lot forms the corner of Fulton and Lafayette Streets, and measures 24 feet, 3 inches, 3 lines front on Front Street, 24 feet, 2 inches, 7 lines front on Fulton Street, by 117 feet, 6 inches, 2 lines in depth and front on Lafayette Street, and 117 feet, 8 inches, 3 lines in depth on the line dividing it from Lot 2, all American Measure.

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

LIENS:
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1. Collateral Mortgage by Celebration Park Casino, Inc., in favor of future holder or holders of the collateral mortgage note thereby secured, in the amount of $50,000,000.00, passed before Margaret T. Alphonso, Notary Public, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962316, as Mortgage Office Instrument No. 190775; in MOB 2923, folio 400, as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., passed before Kay W. Eagan, Notary Public, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03466, as Mortgage Office Instrument No. 194606, records of Orleans Parish Louisiana; as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., dated February 1, 1993, recorded February 1, 1993, under N.A. No. 93-05848, as Mortgage Office Instrument No. 196614; as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., dated April 27, 1993, recorded April 27, 1993, under N.A. No. 93-18039, as Mortgage Office Instrument No. 206500, in MOB 2950, folio 478; as supplemented by Act of Supplement to Collateral Mortgage dated February 23, 1994, recorded at N.A. No. 94-11052 on March 3, 1994.

2. Collateral Assignment of Leases and Rents by Celebration Park Casino, Inc. to The Connecticut National Bank, as Trustee, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962317, as Conveyance Office Instrument No. 62223; as amended by

Act of Amendment of Collateral Assignment of Leases and Rents by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 28, 1993, recorded January 29, 1993, under N.A. No. 93-05563, as Conveyance Office Instrument No. 64215.

3. Collateral Assignment of Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., to The Connecticut National Bank, as Trustee, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962318, as Conveyance Office Instrument No. 62224, as supplemented by Supplement to Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., to Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03468, as Conveyance Office Instrument No. 63716, COB 891, folio 329-332; as amended by Act of Amendment to (1) Collateral Assignment of Agreements of Purchase and Sale and Option Agreement, and (2) Supplement to Collateral Assignment of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 28, 1993, recorded January 29, 1993, under N.A. No. 93-05565, as Conveyance Office Instrument No. 64217; as amended by Second Supplement to Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee and Collateral Agent, dated April 7, 1993, recorded April 8, 1993, as under N.A. No. 93-15549, Conveyance Office Instrument No. 67309; as partially released by Act of Partial Release of Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), dated November 30, 1993, recorded December 1, 1993, under N.A. No. 93-51163, Conveyance Office Instrument No. 78936.

4. Collateral Assignment of Additional Leases and Rents by Celebration Park Casino, Inc., to Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03467, as Conveyance Office Instrument No.

63715, COB 891, folio 320-328; as amended by Act of Amendment of Collateral Assignment of Additional Leases and Rents by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 28, 1993, recorded January 29, 1993, under N.A. No. 93-05564, as Conveyance Office Instrument No. 64216.

PARCEL VII.

228 POYDRAS STREET

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

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

Improvements thereon bear the Municipal Number 228 Poydras Street.

LIENS:

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

February 1, 1993, under N.A. No. 93-05848, as Mortgage Office Instrument No. 196614; as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., dated April 27, 1993, recorded April 27, 1993, under N.A. No. 93-18039, as Mortgage Office Instrument No. 206500, in MOB 2950, folio 478; as supplemented by Act of Supplement to Collateral Mortgage dated February 23, 1994, recorded at N.A. No. 94-11052 on March 3, 1994.

2. Collateral Assignment of Leases and Rents by Celebration Park Casino, Inc. to The Connecticut National Bank, as Trustee, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962317, as Conveyance Office Instrument No. 62223; as amended by Act of Amendment of Collateral Assignment of Leases and Rents by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 28, 1993, recorded January 29, 1993, under N.A. No. 93-05563, as Conveyance Office Instrument No. 64215.

3. Collateral Assignment of Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., to The Connecticut National Bank, as Trustee, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962318, as Conveyance Office Instrument No. 62224, as supplemented by Supplement to Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., to Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03468, as Conveyance Office Instrument No. 63716, COB 891, folio 329-332; as amended by Act of Amendment to (1) Collateral Assignment of Agreements of Purchase and Sale and Option Agreement, and (2) Supplement to Collateral Assignment of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 28, 1993, recorded January 29, 1993, under N.A. No. 93-05565, as Conveyance Office Instrument No. 64217; as amended by Second Supplement to Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee and Collateral Agent, dated April 7, 1993,

recorded April 8, 1993, as under N.A. No. 93-15549, Conveyance Office Instrument No. 67309; as partially released by Act of Partial Release of Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), dated November 30, 1993, recorded December 1, 1993, under N.A. No. 93-51163, Conveyance Office Instrument No. 78936.

4. Collateral Assignment of Additional Leases and Rents by Celebration Park Casino, Inc., to Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03467, as Conveyance Office Instrument No. 63715, COB 891, folio 320-328; as amended by Act of Amendment of Collateral Assignment of Additional Leases and Rents by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 28, 1993, recorded January 29, 1993, under N.A. No. 93-05564, as Conveyance Office Instrument No. 64216.

5. Mortgage by 288 Poydras Street Parking Limited Partnership, in favor of Risert Income Investors, dated August 27, 1992, in the amount of $580,000.00, recorded at Mortgage Office Instrument No. 179275.

PARCEL VIII.

RIVERFRONT INVESTORS

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

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

192.14 feet front on Convention Center Boulevard (formerly S. Front Street) and a distance of 307.14 feet front on Gaiennie Street.

LIENS:
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1. Collateral Mortgage by Celebration Park Casino, Inc., in favor of future holder or holders of the collateral mortgage note thereby secured, in the amount of $50,000,000.00, passed before Margaret T. Alphonso, Notary Public, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962316, as Mortgage Office Instrument No. 190775; in MOB 2923, folio 400, as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., passed before Kay W. Eagan, Notary Public, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03466, as Mortgage Office Instrument No. 194606, records of Orleans Parish Louisiana; as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., dated February 1, 1993, recorded February 1, 1993, under N.A. No. 93-05848, as Mortgage Office Instrument No. 196614; as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., dated April 27, 1993, recorded April 27, 1993, under N.A. No. 93-18039, as Mortgage Office Instrument No. 206500, in MOB 2950, folio 478; as supplemented by Act of Supplement to Collateral Mortgage dated February 23, 1994, recorded at N.A. No. 94-11052 on March 3, 1994.

2. Collateral Assignment of Leases and Rents by Celebration Park Casino, Inc. to The Connecticut National Bank, as Trustee, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962317, as Conveyance Office Instrument No. 62223; as amended by Act of Amendment of Collateral Assignment of Leases and Rents by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 28, 1993, recorded January 29, 1993, under N.A. No. 93-05563, as Conveyance Office Instrument No. 64215.

3. Collateral Assignment of Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., to The Connecticut National Bank, as Trustee, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962318, as Conveyance Office Instrument No. 62224, as supplemented by Supplement to Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., to Shawmut Bank Connecticut, National Association

(formerly known as The Connecticut National Bank), as Trustee, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03468, as Conveyance Office Instrument No. 63716, COB 891, folio 329-332; as amended by Act of Amendment to (1) Collateral Assignment of Agreements of Purchase and Sale and Option Agreement, and (2) Supplement to Collateral Assignment of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 28, 1993, recorded January 29, 1993, under N.A. No. 93-05565, as Conveyance Office Instrument No. 64217; as amended by Second Supplement to Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee and Collateral Agent, dated April 7, 1993, recorded April 8, 1993, as under N.A. No. 93-15549, Conveyance Office Instrument No. 67309; as partially released by Act of Partial Release of Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), dated November 30, 1993, recorded December 1, 1993, under N.A. No. 93-51163, Conveyance Office Instrument No. 78936.

4. Collateral Assignment of Additional Leases and Rents by Celebration Park Casino, Inc., to Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03467, as Conveyance Office Instrument No. 63715, COB 891, folio 320-328; as amended by Act of Amendment of Collateral Assignment of Additional Leases and Rents by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 28, 1993, recorded January 29, 1993, under N.A. No. 93-05564, as Conveyance Office Instrument No. 64216.

5. Act of Credit Sale and Mortgage, in favor of Riverfront Investors Group, dated July 27, 1992, recorded at Mortgage Office Instrument No. 177803, Conveyance Office Instrument No. 56490.

PARCEL IX.

512 SOUTH PETERS STREET

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

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

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

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

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

LIENS:
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1. Collateral Mortgage by Celebration Park Casino, Inc., in favor of future holder or holders of the collateral mortgage note thereby secured, in the amount of $50,000,000.00, passed before Margaret T. Alphonso, Notary Public, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962316, as Mortgage Office Instrument No. 190775; in MOB 2923, folio 400, as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., passed before Kay W. Eagan, Notary Public, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03466, as Mortgage Office Instrument No. 194606, records of Orleans Parish Louisiana; as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., dated February 1, 1993, recorded February 1, 1993, under N.A. No. 93-05848, as Mortgage Office Instrument No. 196614; as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., dated April 27, 1993, recorded April 27, 1993, under N.A. No. 93-18039, as Mortgage Office Instrument No. 206500, in MOB 2950, folio 478; as supplemented by Act of Supplement to Collateral Mortgage dated February 23, 1994, recorded at N.A. No. 94-11052 on March 3, 1994.

2. Collateral Assignment of Leases and Rents by Celebration Park Casino, Inc. to The Connecticut National Bank, as Trustee, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962317, as Conveyance Office Instrument No. 62223; as amended by Act of Amendment of Collateral Assignment of Leases and Rents by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 28, 1993, recorded January 29, 1993, under N.A. No. 93-05563, as Conveyance Office Instrument No. 64215.

3. Collateral Assignment of Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., to The Connecticut National Bank, as Trustee, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962318, as Conveyance Office

Instrument No. 62224, as supplemented by Supplement to Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., to Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03468, as Conveyance Office Instrument No. 63716, COB 891, folio 329-332; as amended by Act of Amendment to (1) Collateral Assignment of Agreements of Purchase and Sale and Option Agreement, and (2) Supplement to Collateral Assignment of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 28, 1993, recorded January 29, 1993, under N.A. No. 93-05565, as Conveyance Office Instrument No. 64217; as amended by Second Supplement to Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee and Collateral Agent, dated April 7, 1993, recorded April 8, 1993, as under N.A. No. 93-15549, Conveyance Office Instrument No. 67309; as partially released by Act of Partial Release of Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), dated November 30, 1993, recorded December 1, 1993, under N.A. No. 93-51163, Conveyance Office Instrument No. 78936.

4. Collateral Assignment of Additional Leases and Rents by Celebration Park Casino, Inc., to Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03467, as Conveyance Office Instrument No. 63715, COB 891, folio 320-328; as amended by Act of Amendment of Collateral Assignment of Additional Leases and Rents by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 28, 1993, recorded January 29, 1993, under N.A. No. 93-05564, as Conveyance Office Instrument No. 64216.

PARCEL X.

224 POYDRAS

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

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

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

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

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

LIENS:

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

Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., dated February 1, 1993, recorded February 1, 1993, under N.A. No. 93-05848, as Mortgage Office Instrument No. 196614; as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., dated April 27, 1993, recorded April 27, 1993, under N.A. No. 93-18039, as Mortgage Office Instrument No. 206500, in MOB 2950, folio 478; as supplemented by Act of Supplement to Collateral Mortgage dated February 23, 1994, recorded at N.A. No. 94-11052 on March 3, 1994.

2. Collateral Assignment of Additional Leases and Rents by Celebration Park Casino, Inc., to Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee and Collateral Agent, dated February 1, 1993, recorded February 1, 1993, under N.A. No. 93-05849, as Conveyance Office Instrument No. 64332, in COB 892, folio 137, and as Mortgage Office Instrument No. 196615, in MOB 2934, folio 17.

PARCEL XI.

LOT 3CP

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

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

All in accordance with the plat of survey of Gandolfo, Kuhn, Luecke & Associates, Dwg. No. E170-13B, originally dated July 29,

1993, and recertified March 10, 1994, annexed hereto and made a part hereof.

LIENS:
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1. Collateral Assignment of Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., to The Connecticut National Bank, as Trustee, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962318, as Conveyance Office Instrument No. 62224, as supplemented by Supplement to Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., to Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03468, as Conveyance Office Instrument No. 63716, COB 891, folio 329-332; as amended by Act of Amendment to (1) Collateral Assignment of Agreements of Purchase and Sale and Option Agreement, and (2) Supplement to Collateral Assignment of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee, dated January 28, 1993, recorded January 29, 1993, under N.A. No. 93-05565, as Conveyance Office Instrument No. 64217; as amended by Second Supplement to Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Celebration Park Casino, Inc., in favor of Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee and Collateral Agent, dated April 7, 1993, recorded April 8, 1993, as under N.A. No. 93-15549, Conveyance Office Instrument No. 67309; as partially released by Act of Partial Release of Collateral Assignment of Agreements of Purchase and Sale and Option Agreement by Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), dated November 30, 1993, recorded December 1, 1993, under N.A. No. 93-51163, Conveyance Office Instrument No. 78936.

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

3. Assignment of Leases and Rentals by Grand Palais Casino, Inc., to First National Bank of Commerce),

dated July 30, 1993, filed August 2, 1993, under N.A. No. 93-31985, in COI No. 73060.

4. Collateral Assignment of Leases and Rents by Grand Palais Casino, Inc., to Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee and Collateral Agent, dated July 30, 1993, filed August 2, 1993, under N.A. No. 93-31987, in COI No. 73061.

5. Collateral Mortgage by Grand Palais Casino, Inc., in favor of future holders (payable at Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee and Collateral Agent), dated july 30, 1993, filed August 2, 1993, under N.A. No. 93-31986, in MOI No. 217806.

PARCEL XII.

RIVERGATE SITES

THAT CERTAIN LEASEHOLD ESTATE to be created by Lease Agreement by and between City of New Orleans, as lessor, and Rivergate Development Corporation, as lessee, dated April 27, 1993, filed April 27, 1993, under N.A. No. 93-18035, as Conveyance Instrument No. 68199, as amended by Agreement dated _____, 1994, filed _____-, 1994, under N.A. No. 94-_____, as Conveyance Instrument No. _____ (the "City Lease"), as subleased per Lease Agreement by and between Rivergate Development Corporation, as lessor, and Celebration Park Casino, Inc. (n/k/a Grand Palais Casino, Inc.), as lessee, dated April 27, 1993, filed April 27, 1993, under N.A. No. 93-018036, as Conveyance Instrument No. 68200, as assigned to Harrah's Jazz Company by Assignment and Assumption of Lease, dated _____, 1994, filed _____, 1994, under N.A. No. 94-_____, as Conveyance Instrument No. _____, and as amended by Amendment of Lease Agreement, dated _____, 1994, filed _____, 1994, under N.A. No. 94-_____, as Conveyance Instrument No. _____ (Collectively, the "Lease"), affecting the following described property, to-wit:

PROPERTY DESCRIPTION BEGINS ON NEXT PAGE

Casino Premises

A certain portion of ground, together with all the buildings and improvements, thereon, and all of the rights, ways, privileges, servitudes and advantages thereunto belonging or in anywise appertaining, situated in the FIRST MUNICIPAL DISTRICT OF THE CITY OF NEW ORLEANS bounded by CANAL, SOUTH PETERS, and POYDRAS STREETS and CONVENTION CENTER BOULEVARD (PLACE DE FRANCE); being comprised of SQUARES 1, 2, 13, 14, 1A or 1B; portions of former Squares 3, 15, 2A or 2B; together with former streets (which were closed by Ordinances 13-439 CCS dated February 3, 1932 and 2767 MCS dated December 5, 1963) which include Common, Gravier, Fulton, Front, and Delta Streets, all shown as proposed Square RS on a Plan of Resubdivision by the office of Gandolfo, Kuhn & Associates dated January 25,1993, Drawing No. E60-2, approved by the City Planning Commission in Subdivision Docket No. 3/93 dated April 23, 1993, being more particularly described as follows: Commence at point A, being the southeast intersection of South Peters and Canal Streets and the Point of Beginning. From the Point of Beginning, measure thence along the east or river side line of South Peters Street South 1 degree 39 minutes 1 second East, a distance of 727.65 feet to the northerly line of Poydras Street and point B; thence along said line of Poydras Street South 76 degrees 14 minutes 24 seconds East a distance of 540.52 feet to the westerly or land side line of Convention Center Boulevard (Place De France) and Point C, also being the easterly line of former Delta Street; thence North 2 degrees 24 minutes 29 seconds West, a distance of 455.48 feet to the southerly line of Canal Street and point K; thence along said line of Canal Street, North 52 degrees 44 minutes 2 seconds West, a distance of 661.98 feet to Point A and the Point of Beginning. Said square contains 7.016 Acres.

Together with the existing tunnel portions in the following described subsurface areas:

Canal Street Portion:

The portion of the following real property which lies between two horizontal planes, the

lower plane lying and being at an elevation of -5 feet Cairo Datum and the upper plane lying and being at an elevation of 30 feet Cairo Datum (approximate street grade), both as referenced to United States Coast and Geodetic Survey Benchmark B-96 having an elevation of 28.72 feet Cairo Datum, which property forms a portion of the Canal Street right of way, FIRST MUNICIPAL DISTRICT, CITY OF NEW ORLEANS, ORLEANS PARISH, LOUISIANA, the horizontal boundaries of which are more fully described as follows:

Commencing at point K being the intersection of the easterly line of Former Delta Street and the southerly line of Canal Street, and also being the northeast corner of proposed Lot RS, measure thence along the southerly line of Canal Street N 52 degrees 44 minutes 02 seconds W, a distance of 87.04 feet to the Point of Beginning. From the Point of Beginning, measure thence along the southerly line of Canal Street N 52 degrees 44 minutes 02 seconds W, a distance of 129.11 feet to the westerly line of the former I-310 Tunnel; thence along said line along a curve to the right having a radius of 1689.02 feet, a distance of 78.94 feet to the northerly line of said Tunnel; thence along said line S 85 degrees 05 minutes 17 seconds E, a distance of 104 feet to the easterly line of the former I-310 Tunnel; thence along said line along a curve to the left having a radius of 1585.02 feet, a distance of 148.4 feet to the Point of Beginning. Containing 11,774 square feet as shown on a map of Lot 3CP and Proposed Roadway by Gandolfo, Kuhn & Associates last dated April 12, 1993, drawing no. E-170-13 C.

Poydras Street Portion:

That portion of the following real property which lies between two horizontal planes, the lower plane lying and being at an elevation of -5 feet Cairo Datum and the upper plane lying and being at an elevation of 30 feet Cairo Datum (approximate street grade), both as referenced to United States Coast and Geodetic Survey Benchmark B-96 having an elevation of 28.72 feet Cairo Datum, which property forms a portion of the Poydras Street right of way, FIRST MUNICIPAL DISTRICT, CITY OF NEW ORLEANS, ORLEANS PARISH, LOUISIANA, the horizontal boundaries of which are more fully described as follows:

Commencing at point B being the intersection of the northerly line of Poydras Street and the easterly line of S. Peters Street, and also being the southwest corner of proposed Lot RS, measure thence along the northerly line of Poydras Street S 76 degrees 14 minutes 24 seconds E, a distance of 361.51 feet to the Point of Beginning. From the Point of Beginning, measure thence along the northerly line of Poydras Street, S 76 degrees 14 minutes 24 seconds E, a distance of 108.29 feet to the easterly line of the former I-310 Tunnel; thence along said line S 2 degrees 24 minutes 52 seconds E, a distance of 31.08 feet to the southerly line of said Tunnel; thence along said line S 87 degrees 35 minutes 08 seconds W, a distance of 104 feet to the westerly line of the former I-310 Tunnel; thence along said line N 2 degrees 24 minutes 52 seconds W, a distance of 61.24 feet to the Point of Beginning. Containing 4,800.6 square feet as shown on a map of Celebration Park Casino Parking Garage Site by Gandolfo, Kuhn & Associates last dated April 12, 1993, drawing no. L-17-1.

CITY LEASED EMPLOYEE AND
BUS PARKING SUPPORT FACILITY PREMISES

Four certain street parcels located in the Second Municipal District of the City of New Orleans designated as Toulouse Street, Treme Street, N. Villere Street and Marais Street, all as shown on a Lease Map prepared for Grand Palais Casino, Inc. dated June 16, 1993; revised December 29, 1993 (Dwg. No. T-131-2A) and each parcel is more particularly described as follows, to wit:

TOULOUSE STREET

A certain parcel of Street R/W, 58.54 feet wide, lying between Marais Street and Treme Street, more particularly described as follows:

Begin at point b at the intersection of the east line of Marais Street with the south line of Toulouse Street; thence along the line of Marais Street, N 37 -13'-40" E, 58.54 feet to point z on the north line of Toulouse Street; thence along same, S 53 -3'-55" E, 256.73 feet to the west line of Treme Street at point p; thence along the projection of said west line of Treme Street, S 37 -14' W, 58.54 feet to the south line of Toulouse Street and north line of Lot N.O.T.C.-1; thence along said line N 53 -3'-55" W, 256.73 feet to Marais Street at point b and the point of beginning, containing 15,029 square feet.

TREME STREET

A certain parcel of Street R/W, 53.29 feet wide, lying between the northerly line of Lot N.O.T.C.-1 and the Orleans-Basin Connection, more particularly described as follows:

Begin at point c at the intersection of the southerly line of Toulouse Street with the easterly line of Treme Street; thence N 37 -14' E, 162.41 feet to point d on the westerly line of the Orleans-Basin Connection, thence along said line, N 36 -12'-39" W, 55.60 feet to point o on the westerly line of Treme Street; thence along said line S 37 -14' W, 178.53 feet to the southerly line of Toulouse Street and the northerly line of Lot N.O.T.C.-1; thence along said line S 53 -3'-55" E, 53.29 feet to the point of beginning, containing 9,084.3 square feet.

POYDRAS STREET SUPPORT FACILITY PREMISES

SQUARE 16, LOT F

A CERTAIN PARCEL OF GROUND, together with all the buildings and improvements thereon and all the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in any way appertaining, situated in the FIRST DISTRICT OF THE CITY OF NEW ORLEANS, Orleans Parish, Louisiana in SQUARE NO. 16, bounded by POYDRAS, FULTON, SOUTH PETERS and LAFAYETTE STREETS, designated as LOT F on a Plan of Resubdivision by Stephen L. Gremillion of Engineering Technology, Inc., dated June 28, 1982, approved by the City Planning Commission under Subdivision Docket No. 96/82, registered as a Declaration of Title Change under Entry No. 466470 in COB 781 folio 237, records of Orleans Parish. According to survey by John J. Avery, L.S. dated August 24, 1990, recertified November 24, 1992, said Lot F is more fully described and measures as follows:

Commencing at the intersection of the westerly right-of-way line of Fulton Street and the southerly right-of-way line of Poydras Street and being the POINT OF BEGINNING;

From the POINT OF BEGINNING, thence South 02 degrees 01 minutes 00 seconds East along the westerly right-of-way line of Fulton Street, a distance of 92 feet 4 inches 5 eighths (92.4.5) to a point;

thence North 76 degrees 07 minutes 00 seconds West, a distance of 46 feet 9 inches 7 eighths (46.9.7) to a point;

thence North 02 degrees 01 minutes 00 second West, a distance of 23 feet 6 inches 0 eighths (23.6.0) to a point;

thence South 76 degrees 07 minutes 00 seconds East, a distance of 0 feet 8 inches 0 eighths (0.8.0) to a point;

thence North 01 degrees 53 minutes 46 seconds West, a distance of 68 feet 9 inches 0 eighths (68.9.0) to a point on the southerly right-of-way line of Poydras Street;

thence South 76 degrees 14 minutes 00 seconds East along the southerly right-of-way line of Poydras Street, a distance of 45 feet 11 inches 6 eighths (45.11.6) to the Point of Beginning.

Bearing municipal address 216 Poydras Street.

Being the same property acquired by Realty Parking Properties, L.P. by act dated September 28, 1990, recorded under Conveyance Office Instrument No. 26556, Orleans Parish, Louisiana.

SQUARE 4, LOT 1

A CERTAIN PARCEL OF GROUND, together with all the buildings and improvements thereon and all the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in any way appertaining, situated in the FIRST DISTRICT OF NEW ORLEANS, in SQUARE 4, Orleans Parish, Louisiana, bounded by CONVENTION CENTER BOULEVARD (formerly SOUTH FRONT STREET), LAFAYETTE, FULTON and POYDRAS STREETS, designated as LOT 1 and is the only lot of and comprises the whole of Square 4, on Plan of Subdivision of Stephen L. Gremillion of Engineering Technology, Inc., dated June 28, 1982, approved by the City Planning Commission under Subdivision Docket No. 96/82, registered as a Declaration of Title Change under Entry No. 466470 in COB 781, folio 237, records of Orleans Parish. According to survey by John J. Avery, Jr., L.S. dated August 24, 1990, recertified November 24, 1992, said Lot 1 is described as follows:

Commencing at the intersection of the westerly right-of-way line of Convention Center Boulevard (late South Front Street) and the southerly right-of-way line of Poydras Street and being the POINT OF BEGINNING;

From the POINT OF BEGINNING, thence South 02 degrees 24 minutes 03 seconds East along the westerly right-of-way line of Convention Center Boulevard, a distance of 371 feet 1 inch 0 eighths (371.1.0) to a point on the northerly right-of-way line of Lafayette Street;

thence North 75 degrees 59 minutes 06 seconds West along the northerly right-of-way line of Lafayette Street, a distance of 117 feet 7 inches 4 eighths (117.7.4) to a point on the easterly right-of-way line on Fulton Street;

thence North 02 degrees 01 minutes 00 second West along the easterly right-of-way line of Fulton Street, a distance of 369 feet 10 inches 1 eighth (369.10.1) to a point on the southerly right-of-way line of Poydras Street;

thence South 76 degrees 14 minutes 00 seconds East along the southerly right-of-way line of Poydras Street, a distance of 114 feet 10 inches 6 eighths (114.10.6) to the Point of Beginning.

Bearing municipal address 507 South Front Street.

Being the same property acquired by Realty Parking Properties, L.P. by act dated September 28, 1990, recorded under Conveyance Office Instrument No. 26556, Orleans Parish, Louisiana.

SQUARE 5, LOTS 1-15

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

1. SIX CERTAIN LOTS OF GROUND, together with all the buildings and improvements thereon, and all of the rights, ways, privileges, servitudes and appurtenances thereunto belonging or in anywise appertaining, situated in the FIRST DISTRICT OF NEW ORLEANS, in SQUARE NO. 5, bounded by FRONT, FULTON, LAFAYETTE and GIROD STREETS, and designated by the NOS. 2 to 7, inclusive, on a plan by J. A. Beard, certified unto Hugh Grant, Surveyor, under dated of January 12, 1853, deposited for reference in the office of H. B. Cenas, then a notary in this City. Said Lots adjoin each other and measure each 24 feet 2 inches 7 lines front on Fulton Street, 24 feet 3 inches 3 lines front on Front Street, by the following depths, viz: 117 feet 8 inches 3 lines on the side of Lot 2 adjoining Lot 1, 117 feet 10 inches 4 lines on the dividing line between Lots 2 and 3, 118 feet 5 lines on the dividing line between Lots 3 and 4, 118 feet 2 inches 6 lines on the dividing line between Lots 4 and 5, and 118 feet 4 inches 7 lines on the dividing line between Lots 5 and 6, and 118 feet 7 inches on the dividing line between Lots 6 and 7, and 118 feet 9 inches 2 lines on the side line of Lot 7, adjoining Lot 8.

2. THREE CERTAIN LOTS OF GROUND, together with all the buildings and improvements thereon, and all the rights,

ways, privileges, servitudes and appurtenances thereunto belonging or in anywise appertaining, situated in the same District and Square as the property hereinabove described, designated by the NOS. 8, 9 and 10, and measuring, in American measure, as follows, to-wit: Lot 8 measures 24 feet 2 inches 7 lines front on Fulton Street, 24 feet 3 inches 3 lines front on Front Street, by 118 feet 9 inches 2 lines in depth on the line dividing it from Lot 7 and 118 feet 11 inches 2 lines in depth on the line dividing it from Lot 9, and Lot 9 measures 24 feet 2 inches 7 lines front on Fulton Street, 24 feet 3 inches 3 lines front on Front Street, by 118 feet 11 inches 2 lines in depth on the line dividing it from Lot 8 and 119 feet 1 inch 2 lines in depth on the line dividing it from Lot 10, and Lot 10 measures 24 feet 2 inches 7 lines front on Fulton Street, 24 feet 3 inches 3 lines front on Front Street, by 119 feet 1 inch 2 lines on the line dividing it from Lot 9 and 119 feet 3 inches 2 lines in depth on the line dividing it from Lot 11.

3. TWO CERTAIN LOTS OF GROUND, together with all the buildings and improvements thereon, and all of the rights, ways, privileges, servitudes and appurtenances thereunto belonging or in anywise appertaining, situated in the same District and Square as the property hereinabove firstly described, designated by the NOS. 11 and 12, on a plan by J. A. Beard, duly certified by H. Grant, dated January 12, 1852, and deposited in the office of H. B. Cenas, then a Notary Public, which said lots measure as follows: Lot 11 measures 24 feet 2 inches 7 lines front on Fulton Street, 24 feet 3 inches 3 lines front on Front Street, by 119 feet 5 inches 2 lines in depth on the line dividing it from Lot 12, and 119 feet 3 inches 2 lines in depth on the line dividing it from Lot 10, all American measure; and Lot 12 measures 24 feet 2 inches 7 lines front on Fulton Street, 24 feet 3 inches 2 lines front on Front Street, by 119 feet 5 inches 2 lines in depth on the line dividing it from Lot 11 and 119 feet 7 inches 2 lines on the line dividing it from Lot 13.

4. THREE CERTAIN LOTS OF GROUND, together with all the buildings and improvements thereon, and all the rights, ways, privileges, servitudes and appurtenances thereunto belonging or in anywise appertaining, situated in the FIRST DISTRICT OF NEW ORLEANS, in SQUARE NO. 5, bounded by FULTON, GIROD, FRONT and LAFAYETTE STREETS, designated by the NOS. 15, 13, and 14; Lot 15 measures 24 feet 2 inches 7 lines front on Fulton Street, 120 feet 1 inch 2 lines front on Girod Street, 24 feet 3 inches 3 lines front on Front Street, and 119 feet 11 inches 2 lines on the line of Lot 14; Lot 13 measures 24 feet 2 inches 7 lines front on Fulton Street; 24 feet 3 inches and 3 lines on Front Street, by 119 feet 7 inches and 2 lines in depth on the line dividing it from Lot 12, and 119 feet 9 inches and 2 lines in depth on the line dividing in from Lot 14; Lot 14 measures 24 feet 2 inches and 7 lines on Fulton Street, 24 feet 3 inches and 3 lines on Front Street, by

119 feet 9 inches and 2 lines in depth on the line dividing it from Lot 13, and 119 feet 11 inches 2 lines in depth on the line dividing it from Lot 15.

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

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

Being the same property acquired by Celebration Park Casino, Inc. by act dated December 15, 1992, registered December 16, 1992 under Notarial Archives No. 962310 and under Conveyance Office Instrument No. 62217, Orleans Parish, Louisiana.

FULTON STREET AIR RIGHTS AREA

That portion of the following real property which lies above the horizontal plane at an elevation of 40 feet Cairo Datum and that portion of the following real property which lies between two horizontal planes, the lower plane lying and being at an elevation of - 205 feet Cairo Datum (approximate bottom of pile tip), and the upper plane lying and being at an elevation of 30 feet Cairo Datum (approximate street grade), all as referenced to United States Coast and Geodetic Survey Benchmark B-96 having an elevation of 28.72 feet Cairo Datum, which property forms a portion of the Fulton Street right of way, FIRST MUNICIPAL DISTRICT, CITY OF NEW ORLEANS, ORLEANS PARISH, LOUISIANA, the horizontal boundaries of which are more fully described as follows:

Commencing at the northeast corner of Square 16 being the point of intersection of the westerly line of Fulton Street with the upper line of Poydras Street and being the Point of Beginning; From the Point of Beginning, thence along the upper line of Poydras Street South 76 degrees 14 minutes 24 seconds East, a distance of 62 feet 4 inches 1 eighth (62.4.1) to the easterly line of Fulton Street; thence along the easterly line of Fulton Street South 2 degrees 0 minutes 19 seconds East, a distance of 207 feet 8 inches 5 eighths (207.8.5) to a point; thence North 75 degrees 59 minutes 17 seconds West, a distance of 62 feet 5 inches (62.5.0) to the westerly line of Fulton Street; thence along the westerly line of Fulton Street North 2 degrees 0 minutes 19 seconds West, a distance of 207 feet 5 inches 1 eighth (207.5.1) to the Point of Beginning. Containing 12, 455 square feet all in accord with a map of Poydras Tunnel Area, Lafayette Subsurface Area and Fulton Street Subsurface and Air Rights Area (Proposed) by Gandolfo, Kuhn & Associates dated March 5, 1993, revised March 17, 1993; Drawing No. L-17-1.

POYDRAS TUNNEL AREA

That portion of the following real property which lies between two horizontal planes, the lower plane lying and being at an elevation of - 205 feet Cairo Datum (approximate bottom of pile tip), and the upper plane lying and being at an elevation of 32.5 feet Cairo Datum (approximate street grade), both as referenced to United States Coast and Geodetic Survey Benchmark B-96 having an elevation of 28.72 feet Cairo Datum, which property forms a portion of the Poydras Street right of way, FIRST MUNICIPAL DISTRICT, CITY OF NEW ORLEANS, ORLEANS PARISH, LOUISIANA, the horizontal boundaries of which are more fully described as follows:

Begin at Northeast corner of Square 4, being the intersection of the West line of Convention Center Boulevard with the South line of Poydras Street, 134 feet wide; thence go along the North line of Square 4, N 76 - 14'-24" W, 114 feet 10 inches 6 eighths to the Northwest corner of Square 4, and the East line of Fulton Street; thence along the projection of said line, N 2 -0'-19" W, 139 feet 4 inches 1 eighth to the North line of Poydras Street; thence along said lines S 76 -14'-24" E, 180 feet to a point; thence go S 25 -14'-37" W, a distance of 136 feet 10 inches 1 eighth to the point of beginning, containing 19,772, square feet, all as shown on a plan by Gandolfo, Kuhn & Associates dated March 5, 1993, last revised on March 3, 1994; Drawing Number L-17-1.

LAFAYETTE SUBSURFACE AREA

That portion of the following real property which lies between two horizontal planes, the lower plane lying and being at an elevation of - 205 feet Cairo Datum (approximate bottom of pile cap) and the upper plane lying and being at an elevation of 30 feet Cairo Datum (approximate street grade), both as referenced to United States Coast and Geodetic Survey Benchmark B-96 having an elevation of 28.72 feet Cairo Datum, which property forms a portion of the Lafayette Street right of way, FIRST MUNICIPAL DISTRICT, CITY OF NEW ORLEANS, ORLEANS PARISH, LOUISIANA, the horizontal boundaries of which are more fully described as follows:

Commencing at the southwest corner of Square 4 being the northeast intersection of Lafayette and Fulton Streets and being the Point of Beginning; From the Point of Beginning, thence along the lower line of Lafayette Street South 75 degrees 59 minutes 17 seconds East, a distance of 117 feet 9 inches 5 eighths (117.9.5) to a point on the westerly line of Convention Center Boulevard (former South Front Street) which lies 2 inches 1 eighth (0.2.1) from the southeast corner of Square 4; thence along the westerly line of Convention Center Boulevard South 2 degrees 19 minutes 52 seconds East, a distance of 46 feet 10 inches 6 eighths (46.10.6) to the upper line of Lafayette Street; thence along the upper line of Lafayette Street North 75 degrees 59 minutes 17 seconds West, a distance of 118 feet 1 inch 1 eighth (118.1.1) to the easterly line of Fulton Street; thence along the easterly line of Fulton Street North 2 degrees 0 minutes 19 seconds West, a distance 46 feet 9 inches; 7 eighths (46.9.7) to the Point of Beginning. Containing 5,308 square feet all in accord with a map of Poydras Tunnel Area, Lafayette Subsurface Area and Fulton Street Subsurface and Air Rights Area (Proposed) by Gandolfo, Kuhn & Associates dated March 5, 1993, revised March 17, 1993; Drawing No. L-17-1.

NORTH VILLERE STREET

A certain parcel of Street R/W, 53.29 feet wide, lying between St. Louis Street and former Street Parcel S-2, more particularly described as follows:

Beginning at the intersection of the existing westerly line of North Villere Street with the northerly line of St. Louis Street at point t, thence along the westerly line of North Villere Street, N 37 -13'-30" E, 387.70 feet to point xx on the southerly line of former Street Parcel S-2; thence along said line S 57 -30'-38" E, 53.47 feet to point yy on the easterly line of North Villere Street; thence along said line S 37 -13'-30" W, 391.77 feet to point k on the northerly line of St. Louis Street; thence along said line N 53 -8' W, 53.29 feet to point t and the point of beginning, containing 20,769 square feet.

MARAIS STREET

A certain parcel of Street R/W, 53.29 feet wide, lying between St. Louis Street and the northerly line of Toulouse Street projected, more particularly described as follows:

Beginning at the intersection of the westerly line of Marais Street with the northerly line of St. Louis Street at point j; thence along the westerly line of Marais Street, N 37 -13'-40" E, 378.08 feet to point q on the southerly line of lot C.N.O.-1; thence along said line S 53 -3'-55" E, 53.29 feet to point z on the easterly line of Marais Street, thence along said line, S 37 -13'-40" W, 378.02 feet to point a on the northerly line of St. Louis Street; thence along said line, N 53 -8' W, 53.29 feet to point j and the point of beginning, containing 20,146.3 square feet.

LOT C.N.O.-1

Lot C.N.O.-1 is situated in the Second district, City of New Orleans, State of Louisiana in Square 162-A, bounded by St. Louis Street, North Villere Street, Lafitte Ave., Orleans-Basin Connection, Treme Street, Toulouse Street and Marais Street. Lot C.N.O.-1 is in accord with a subdivision map by Gandolfo, Kuhn & Associates dated March 31, 1978 revised May 15, 1978 (Dwg. No. T-131-2), approved on October 16, 1978 and filed October 25, 1978 in COB 756 folio 391.

Said Lot C.N.O.-1 is more particularly described in accord with a Lease Map by Gandolfo, Kuhn & Associates, dated June 16, 1993 with additions dated December 29, 1993 (Dwg. No. T-131-2A) a print of which is attached hereto and made a part hereof, as follows:

Begin at point l at the intersection of the easterly line of N. Villere Street with the southerly line of Lafitte Avenue, thence along the easterly line of North Villere Street, S 37 -13'-30"

W, 235.46 feet to a point s on the division line between lots C.N.O.-1 and N.O.T.C.-2; thence along said line, S 52 -46'-20" E, 256.46 feet to a point r on the westerly line of Marais Street; thence along said line, N 37 -13'-40" E, 113.92 feet to a point q on the projected northerly line of Toulouse Street; thence along said line, S 53 -3'-55" E, 310.02 feet to a point p on the westerly line of Treme Street; thence along said line, N 37 -14' E, 119.99 feet to a point o on the westerly line of Orleans-Basin Connection; thence along said line N 36 -46'-20" W, 36.31 feet to point n; thence continue along said line of the Orleans-Basin Connection and the southerly line of Lafitte Ave., N 52 -46'-20" W, 411 feet to point m; thence N 57 -31'-51" W, 121.01 feet to point l and the point of beginning, containing 102,731.5 square feet.

PEDESTRIAN BRIDGE AREA

A. THAT PORTION OF THE FOLLOWING REAL PROPERTY which lies above the horizonal plane at an elevation of 40 feet Cairo Datum and that portion of the following real property which lies between two horizonal planes, the lower plane lying and being at an elevation of - 205 feet Cairo Datum (approximate bottom of pile tip), and the upper plane lying and being at an elevation of 30 feet Cairo Datum (approximate street grade), all as referenced to United States Coast and Geodetic Survey Benchmark B-96 having an elevation of 28.72 feet Cairo Datum, which property forms a portion of the Fulton Street right of way, FIRST MUNICIPAL DISTRICT, City of New Orleans, Orleans Parish, Louisiana, the horizontal boundaries of which are more fully described as follows:

> Commencing at the northeast corner of Square 16 being the point of intersection of the westerly line of Fulton Street with the upper line of Poydras Street and being the Point of Beginning; from the Point of Beginning, thence along the upper line of Poydras Street South 76 degrees 14 minutes 24 seconds East, a distance of 62 feet 4 inches 1 eighth to the easterly line of Fulton Street; thence along the easterly line of Fulton Street South 2 degrees 0 minutes 19 seconds East, a distance of 207 feet 8 inches 5 eighths to a point; thence North 75 degrees 59 minutes 17 seconds West, a distance of 62 feet 5 inches to the westerly line of Fulton Street; thence along the westerly line of Fulton Street North 2 degrees 0 minutes 19 seconds West, a distance of 207 feet 5 inches 1 eighth to the Point of Beginning, all in accord with a map of Poydras Tunnel Area, Lafayette Subsurface Area and Fulton Street Subsurface and Air Rights Area (Proposed) by Gandolfo, Kuhn & Associates, dated March 5, 1993, revised March 17, 1993, last dated April 12, 1993; Drawing No. L-17-1.

B. THAT PORTION OF THE FOLLOWING REAL PROPERTY which lies above the horizontal plane at an elevation of 40 feet Cairo Datum and that portion of the following real property which lies between two horizontal planes, the lower plane lying and being at an elevation of - 205 feet Cairo Datum (approximate bottom of pile cap), and the upper plane lying and being at an elevation of 30 feet Cairo Datum (approximate street grade), both as referenced to United States Coast and Geodetic Survey Benchmark B-96, having an elevation of 28.72 feet Cairo Datum, which property forms a portion of the Lafayette Street right of way, FIRST MUNICIPAL DISTRICT, City of New Orleans,

Orleans Parish, Louisiana, the horizontal boundaries of which are more fully described as follows:

> Commencing at the southwest corner of Square 4 being the northeast intersection of Lafayette and Fulton Streets and being the Point of Beginning; from the Point of Beginning, thence along the lower line of Lafayette Street South 75 degrees 59 minutes 17 seconds East, a distance of 117 feet 9 inches 5 eighths to a point on the westerly line of Convention Center Boulevard (former South Front Street) which lies 2 inches 1 eighth from the southeast corner of Square 4; thence along the westerly line of Convention Center Boulevard, South 2 degrees 19 minutes 52 seconds East, a distance of 46 feet 10 inches 6 eighths to the upper line of Lafayette Street; thence along the upper line of Lafayette Street North 75 degrees 59 minutes 17 seconds West, a distance of 118 feet 1 inch 1 eighth to the easterly line of Fulton Street; thence along the easterly line of Fulton Street North 2 degrees 0 minutes 19 seconds West, a distance of 46 feet 9 inches 7 eights to the Point of Beginning, all in accord with a map of the Poydras Tunnel Area, Lafayette Subsurface Area, and Fulton Street Subsurface and Air Rights Area (Proposed) by Gandolfo, Kuhn & Associates, dated March 5, 1993, revised March 17, 1993, last dated April 12, 1993; Drawing No. L-17-1.

C. THAT PORTION OF THE FOLLOWING REAL PROPERTY which lies above the horizontal plane at an elevation of 40 feet Cairo Datum and that portion of the following real property which lies between two horizonal planes, the lower plane lying and being at an elevation of - 205 feet Cairo Datum (approximate bottom of pile tip), and the upper plane lying and being at an elevation of 32.5 feet Cairo Datum (approximate street grade), both as referenced to United States Coast and Geodetic Survey Benchmark B-96 having an elevation of 28.72 feet Cairo Datum, which property forms a portion of the Poydras Street right of way, FIRST MUNICIPAL DISTRICT, City of New Orleans, Orleans Parish, Louisiana, the horizontal boundaries of which are more fully described as follows:

> Begin at the Northeast corner of Square 4, being the intersection of the West line of Convention Center Boulevard with the South line of Poydras Street, 134 feet wide; thence go along the North

line of Square 4, N 76 -14'-24" W, 114 feet 10 inches 6 eighths to the Northwest corner of Square 4 and the East line of Fulton Street; thence along the projection of said line, N 2 -0'-19" W, 139 feet 4 inches 1 eighth to the North line of Poydras Street; thence along said line S 76 -14'-24" E, 180 feet to a point; thence go S 25 -14'-37" W, a distance of 136 feet 10 inches 1 eighth to the point of beginning, containing 19,772 square feet, all as shown on a plan by Gandolfo, Kuhn & Associates dated March 5, 1993, last revised on March 3, 1994; Drawing Number L-17-1.

ENCROACHMENT AREAS

A. Those sidewalks and right of ways adjacent to and portions of Poydras Street, Convention Center Boulevard, Lafayette Street and Fulton Street located within ten (10) feet from the lot lines of Square 4, First Municipal District, City of New Orleans, Orleans Parish, Louisiana upon which foundations, canopies, roof overhangs, columns, decorative paving, fountains, landscaping, streetscaping, lighting, directional signage, underground utilities and other encroachments are or will be constructed in connection with the Improvements located or to be located upon said Square 4.

B. Those sidewalks and right of ways adjacent to and portions of Lafayette Street, Fulton Street, Convention Center Boulevard and Girod Street located within ten (10) feet from the lot lines of Square 4, First Municipal District, City of New Orleans, Orleans Parish, Louisiana upon which foundations, canopies, roof overhangs, columns, decorative paving, fountains, landscaping, streetscaping, lighting, directional signage, underground utilities and other encroachments are or will be constructed in connection with the Improvements located or to be located upon said Square 5.

C. Those sidewalks and right of ways adjacent to and portions of Poydras Street, Convention Center Boulevard, South Peters Street, and Canal Street located within fifteen (15) feet from the lot lines of Lot RS, being comprised of former Squares 1, 2, 13, 14, 1A or 1B; portions of former Squares 3, 15 2A, or 2B; together with former streets (which were closed by Ordinances 13-439 CCS, dated February 3, 1932, and 2767 MCS, dated December 5, 1963) which include Common, Gravier, Fulton, Front, and Delta Streets, all shown as proposed Square RS on a Plan of Resubdivision by the office of Gandolfo, Kuhn & Associates, dated January 25, 1993, Drawing No. E60-2, approved by the City of Planning Commission in Subdivision Docket No. 3/93, dated April 23, 1993, First Municipal District, City of New Orleans, Orleans Parish, Louisiana upon which foundations, canopies, roof overhangs, columns, decorative paving, fountains, landscaping, streetscaping, lighting, directional signage, underground utilities and other encroachments are or will be constructed with the Improvements located or to be located upon said Lot RS.

LIENS:
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1. Collateral Mortgage by Celebration Park Casino, Inc., in favor of future holder or holders of the collateral mortgage note thereby secured, in the amount of $50,000,000.00, passed before Margaret T. Alphonso, Notary Public, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962316, as Mortgage Office Instrument No. 190775; in MOB 2923, folio 400, as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., passed before Kay W. Eagan, Notary Public, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03466, as Mortgage Office Instrument No. 194606, records of Orleans Parish Louisiana; as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., dated February 1, 1993, recorded February 1, 1993, under N.A. No. 93-05848, as Mortgage Office Instrument No. 196614; as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., dated April 27, 1993, recorded April 27, 1993, under N.A. No. 93-18039, as Mortgage Office Instrument No. 206500, in MOB 2950, folio 478; as supplemented by Act of Supplement to Collateral Mortgage dated February 23, 1994, recorded at N.A. No. 94-11052 on March 3, 1994.

2. Collateral Assignment of Additional Leases and Rents by Celebration Park Casino, Inc., to Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank), as Trustee and Collateral Agent, dated April 27, 1993, recorded April 27, 1993, under N.A. No. 93-18040, as Conveyance Office Instrument No. 68203.

PARCEL XIII.

RAILROAD PROPERTY

A. Three parcels of the property of Lessor at New Orleans, Louisiana, between Basin Street and N. Claiborne Avenue, having a combined area of 10 acres (435,592.2 square feet), more or less, (referred to as Property "A") the location and dimensions of which are substantially as shown in red outline on plat of print prepared for Harrah's Casino, by Gandolfo, Kuhn & Associates, dated October 26, 1993, annexed as Exhibit C to the Lease.

B. One parcel of the property of Lessor at New Orleans, Louisiana, between N. Claiborne Street and N. Prieur Street,

having an area of 5.2 acres, more or less, (referred to as Property "B") and being located substantially as shown in red outline on plat of drawing prepared for Harrah's Casino by Gandolfo, Kuhn & Associates, dated October 26, 1993, annexed as Exhibit D to the Lease.

C. One parcel of the property of Lessor at New Orleans, Louisiana, between N. Prieur Street and N. Galvez Street, having an area of 2.3 acres, more or less, (referred to as Property "C") and being located substantially as shown in red outline on plat of print prepared for Harrah's Casino by Gandolfo, Kuhn & Associates, dated October 26, 1993, annexed as Exhibit E to the Lease.

D. The three story, 15,000 square foot office building of Lessor (referred to as the "Office Building") located at the corner of Basin Street and St. Louis Avenue, located substantially as shown on Exhibit C to the Lease.

LIENS:
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1. Collateral Mortgage by Celebration Park Casino, Inc., in favor of future holder or holders of the collateral mortgage note thereby secured, in the amount of $50,000,000.00, passed before Margaret T. Alphonso, Notary Public, dated December 15, 1992, recorded December 16, 1992, under N.A. No. 962316, as Mortgage Office Instrument No. 190775; in MOB 2923, folio 400, as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., passed before Kay W. Eagan, Notary Public, dated January 15, 1993, recorded January 19, 1993, under N.A. No. 93-03466, as Mortgage Office Instrument No. 194606, records of Orleans Parish Louisiana; as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., dated February 1, 1993, recorded February 1, 1993, under N.A. No. 93-05848, as Mortgage Office Instrument No. 196614; as supplemented by Act of Supplement to Collateral Mortgage by Celebration Park Casino, Inc., dated April 27, 1993, recorded April 27, 1993, under N.A. No. 93-18039, as Mortgage Office Instrument No. 206500, in MOB 2950, folio 478; as supplemented by Act of Supplement to Collateral Mortgage dated February 23, 1994, recorded at N.A. No. 94-11052 on March 3, 1994.

AUDITORIUM SITES

THAT CERTAIN LEASEHOLD ESTATE to be created by Lease Agreement by and between City of New Orleans, as lessor, and Rivergate Development Corporation, as lessee, dated _____, 1994, filed _____, 1994, under N.A. No. 94-_____, as Conveyance Instrument No. _____, as subleased per Lease Agreement by and between Rivergate Development Corporation, as lessor, and Harrah's Jazz Company, as lessee, dated _____, filed _____, under N.A. No. _____, as Conveyance Instrument No. _____, affecting the following described property, to-wit:

PROPERTY DESCRIPTION BEGINS ON NEXT PAGE

LEASED PREMISES

Nine certain parcels of land situated in the 2nd Municipal District, City of New Orleans, State of Louisiana, in that area generally referred to as the Municipal Auditorium and Performing Arts Center bounded by North Rampart Street, St. Peter Street, Basin Street, Basin-Orleans Connection, North Villere Street, Square 169 (Treme Community Center), St. Philip Street, former Treme Street and former St. Ann Street, said parcels designated as Lease 1, Lease 2 and Lease 3, and contained within Lease 3 are four parking parcels (Parking 2, Parking 3, Parking 4 and Parking B), a 75 foot wide servitude for egress between Lease 1 and North Rampart Street, and proposed transformer servitude all as shown on a plan titled Lease Map prepared by the office of Gandolfo, Kuhn and Associates, dated January 3, 1994; drawing number T-126-4F, a print of which is attached hereto and is made a part hereof and are more particularly described in accord with said Lease Map as follows:

LEASE 1

Beginning at the intersection of the southern right of way line of former St. Ann Street and the westerly line of former Treme Street which forms the northeast corner of Square 149 and the point of beginning at point S, thence from said point of beginning go N 37 degrees 14 minutes 09 seconds E along the westerly line of former Treme Street a distance of 53.29 feet to point L, thence go S 52 degrees 44 minutes 32 seconds E a distance of 373.70 feet to point M; thence go S 37 degrees 13 minutes 34 seconds W a distance of 176.17 feet to point M-1; thence go S 52 degrees 46 minutes 26 seconds E a distance of 6.00 feet to point M-2; thence go S 37 degrees 13 minutes 34 seconds W a distance of 40.00 feet to point N; thence go S 52 degrees 46 minutes 26 seconds E a distance of 9.00 feet to point O; thence go S 37 degrees 13 minutes 34 seconds W a distance of 55.33 feet to point P; thence go N 52 degrees 46 minutes 26 seconds W a distance of 9.00 feet to point Q; thence go S 37 degrees 13 minutes 34 seconds W a distance of 40.00 feet to point Q-1; thence go N 52 degrees 46 minutes 26 seconds W a distance of 6.00 feet to point Q-2; thence go S 37 degrees 13 minutes 34 seconds W a distance of 151.06 feet to point R; thence go S 67 degrees 43 minutes 42 seconds W a distance of 120.84 feet to the easterly right of way of Basin-Orleans Connection and point E; thence along said line in a northerly direction along a curve to the left with a radius of 507.50 feet, an arc distance of 166.94 feet to point F; thence continue along the easterly right of way of Basin-Orleans Connection N 41 degrees 51 minutes 45 seconds W a distance of 171.11 feet to point G; thence go in a northerly direction along a curve to the left with a radius of 148.00 feet an arc distance of 58.47 feet to the westerly line of Treme Street and point H; thence go N 52 degrees 45 minutes 51 seconds W a distance of 33.93 feet to point I; thence go N 37 degrees 14 minutes 09 seconds E a distance of 227.37 feet to the northerly right of way of former Orleans Street and point J; thence along said line S 53 degrees 05 minutes 37 seconds E a distance of 33.93 feet to the westerly right of way of former Treme Street at point K; thence along said line N 37 degrees 14 minutes 09 seconds E a distance of 138.92 feet to the point of beginning, containing 201,225 square feet.

LEASE 2

From the intersection of the northerly right of way line of former St. Ann Street and the westerly line of N. Rampart Street which forms the southeast corner of former Square 114, at point AAA, thence along the westerly line of N. Rampart Street S 37 degrees 14 minutes 40 seconds W a distance of 395.50 ft. to the north line of St. Peter Street, 52.00 ft. wide, and point A; thence along the north line of St. Peter Street, 52.00 ft. wide, N 53 degrees 5 minutes 37 seconds W, 192.17 ft. to the projection of the westerly line of Basin Street at point B and the point of beginning; thence along the westerly line of Basin Street, S 37 degrees 14 minutes 28 seconds W, 293.36 ft. to point C, thence N 57 degrees 15 minutes 46 seconds W, 37.10 ft. to the easterly line of the Orleans-Basin Connection at point D, thence along said line along a curve to the left with a radius of 507.50 ft., an arc length of 204.76 ft. to point E, thence N 67 degrees 43 minutes 42 seconds E, 120.84 ft. to point R, thence N 37 degrees 13 minutes 34 seconds E, 57.15 ft. to point B-1; thence S 53 degrees 5 minutes 37 seconds E, 128.48 ft. to point B and the point of beginning, containing 37,727 square feet.

LEASE 3

Beginning at the intersection of the southern right of way line of former St. Ann Street and the westerly line of former Treme Street which forms the northeast corner of square 149 and the point of beginning and point S, thence from said point of beginning go along the southern right of way line of former St. Ann Street N 52 degrees 44 minutes 32 seconds W a distance of 256.93 feet to the easterly right of way line of former Marais Street and point T; thence along said line S 37 degrees 15 minutes 16 seconds W a distance of 140.50 feet to the northerly right of way line of former Orleans Street and point U; thence along said line S 53 degrees 05 minutes 37 seconds E a distance of 222.85 feet to the westerly line of Lease 1 and point J; thence along the westerly line of Lease 1, S 37 degrees 14 minutes 09 seconds W a distance of 227.37 feet to point I; thence go S 52 degrees 45 minutes 51 seconds E a distance of 33.93 feet to the westerly line of former Treme Street and point H; thence go in a southerly direction along a curve to the right with a radius of 148.00 feet, an arc distance of 58.47 feet to the easterly line of the Basin-Orleans Connection and point G; thence along said line N 41 degrees 51 minutes 45 seconds W a distance of 19.72 feet to a point of curve and point V; thence continue along the easterly line of the Basin-Orleans Connection in a northerly direction along a curve to the right with a radius of 411.50 feet an arc distance of 191.16 feet to a point of tangent and point W; thence continue along the Basin-Orleans Connection N 15 degrees 14 minutes 45 seconds W a distance of 181.01 feet to a point of curve and point X; thence in a westerly direction along a curve to the left with a radius of 432.00 feet an arc distance of 181.32 feet to point Y; thence go N 29 degrees 21 minutes 28 seconds W a distance of 61.81 feet to the easterly right of way

of N. Villere Street and point Z; thence along said line N 37 degrees 13 minutes 18 seconds E a distance of 551.57 feet to the northerly line of former Dumaine Street and the southwest corner of Square 169 and point AA; thence along the northerly right of way of former Dumaine Street S 52 degrees 34 minutes 18 seconds E a distance of 256.55 feet to westerly line of Marais Street and point BB; thence along said line N 37 degrees 15 minutes 16 seconds E a distance of 327.94 feet to the northeast corner of Square 169 and the southern line St. Philip Street and point CC; thence along said line S 52 degrees 13 minutes 13 seconds E a distance of 315.80 feet to the easterly side of a 6" concrete curb projected and point DD; thence continue along the easterly side of a 6" concrete curb S 37 degrees 45 minutes 47 seconds W seconds a distance of 326.01 feet to the northerly line of former Dumaine Street and point EE; thence along said line N 52 degrees 34 minutes 18 seconds W a distance of 3.00 feet to the westerly right of way of former Treme Street and point FF; thence along said line S 37 degrees 14 minutes 09 seconds W a distance of 106.00 feet to the northerly edge of a 6" concrete curb projected and point GG; thence along the northerly edge of a 6" concrete curb N 52 degrees 47 minutes W a distance of 226.00 feet to the westerly edge of a 6" concrete curb and point HH; thence along said curb S 37 degrees 13 minutes W a distance of 19.42 feet to the northerly edge of a 6" concrete curb and point II; thence along said curb N 52 degrees 47 minutes W a distance of 105.02 feet to point JJ; thence go S 37 degrees 15 minutes 28 seconds W along a 6' wood fence a distance of 184.24 feet to the northern line of a 110.00 foot wide utility servitude and point KK; thence along said line S 52 degrees 44 minutes 32 seconds E a distance of 331.07 feet to the westerly line of former Treme Street and point LL; thence along said line S 37 degrees 14 minutes 09 seconds W a distance of 110.00 feet to the point of beginning, containing 391,608 square feet.

CITY LEASED EMPLOYEE AND
BUS PARKING SUPPORT FACILITY PREMISES

Four certain street parcels located in the Second Municipal District of the City of New Orleans designated as Toulouse Street, Treme Street, N. Villere Street and Marais Street, and Lot C.N.O.-1 all as shown on a Lease Map prepared for Grand Palais Casino, Inc. dated June 16, 1993; revised December 29, 1993 (Dwg. No. T-131-2A) and each parcel is more particularly described as follows, to wit:

TOULOUSE STREET

A certain parcel of Street R/W, 58.54 feet wide, lying between Marais Street and Treme Street, more particularly described as follows:

Begin at point b at the intersection of the east line of Marais Street with the south line of Toulouse Street; thence along the line of Marais Street, N 37 -13'-40" E, 58.54 feet to point z on the north line of Toulouse Street; thence along same, S 53 -3'-55" E, 256.73 feet to the west line of Treme Street at point p; thence along the projection of said west line of Treme Street, S 37 -14' W, 58.54 feet to the south line of Toulouse Street and north line of Lot N.O.T.C.-1; thence along said line N 53 -3'-55" W, 256.73 feet to Marais Street at point b and the point of beginning, containing 15,029 square feet.

TREME STREET

A certain parcel of Street R/W, 53.29 feet wide, lying between the northerly line of Lot N.O.T.C.-1 and the Orleans-Basin Connection, more particularly described as follows:

Begin at point c at the intersection of the southerly line of Toulouse Street with the easterly line of Treme Street; thence N 37 -14' E, 162.41 feet to point d on the westerly line of the Orleans-Basin Connection, thence along said line, N 36 -12'-39" W, 55.60 feet to point o on the westerly line of Treme Street; thence along said line S 37 -14' W, 178.53 feet to the southerly line of Toulouse Street and the northerly line of Lot N.O.T.C.-1; thence along said line S 53 -3'-55" E, 53.29 feet to the point of beginning, containing 9,084.3 square feet.

NORTH VILLERE STREET

A certain parcel of Street R/W, 53.29 feet wide, lying between St. Louis Street and former Street Parcel S-2, more particularly described as follows:

Beginning at the intersection of the existing westerly line of North Villere Street with the northerly line of St. Louis Street at point t, thence along the westerly line of North Villere Street, N 37 -13'-30" E, 387.70 feet to point xx on the southerly line of former Street Parcel S-2; thence along said line S 57 -30'-38" E, 53.47 feet to point yy on the easterly line of North Villere Street; thence along said line S 37 -13'-30" W, 391.77 feet to point k on the northerly line of St. Louis Street; thence along said line N 53 -8' W, 53.29 feet to point t and the point of beginning, containing 20,769 square feet.

MARAIS STREET

A certain parcel of Street R/W, 53.29 feet wide, lying between St. Louis Street and the northerly line of Toulouse Street projected, more particularly described as follows:

Beginning at the intersection of the westerly line of Marais Street with the northerly line of St. Louis Street at point j; thence along the westerly line of Marais Street, N 37 -13'-40" E, 378.08 feet to point q on the southerly line of lot C.N.O.-1; thence along said line S 53 -3'-55" E, 53.29 feet to point z on the easterly line of Marais Street, thence along said line, S 37 -13'-40" W, 378.02 feet to point a on the northerly line of St. Louis Street; thence along said line, N 53 -8' W, 53.29 feet to point j and the point of beginning, containing 20,146.3 square feet.

LOT C.N.O.-1

Lot C.N.O.-1 is situated in the Second district, City of New Orleans, State of Louisiana in Square 162-A, bounded by St. Louis Street, North Villere Street, Lafitte Ave., Orleans-Basin Connection, Treme Street, Toulouse Street and Marais Street. Lot C.N.O.-1 is in accord with a subdivision map by Gandolfo, Kuhn & Associates dated March 31, 1978 revised May 15, 1978 (Dwg. No. T-131-2), approved on October 16, 1978 and filed October 25, 1978 in COB 756 folio 391.

Said Lot C.N.O.-1 is more particularly described in accord with a Lease Map by Gandolfo, Kuhn & Associates, dated June 16, 1993 with additions dated December 29, 1993 (Dwg. No. T-131-2A) a

print of which is attached hereto and made a part hereof, as follows:

Begin at point l at the intersection of the easterly line of N. Villere Street with the southerly line of Lafitte Avenue, thence along the easterly line of North Villere Street, S 37 -13'-30" W, 235.46 feet to a point s on the division line between lots C.N.O.-1 and N.O.T.C.-2; thence along said line, S 52 -46'-20" E, 256.46 feet to a point r on the westerly line of Marais Street; thence along said line, N 37 -13'-40" E, 113.92 feet to a point q on the projected northerly line of Toulouse Street; thence along said line, S 53 -3'-55" E, 310.02 feet to a point p on the westerly line of Treme Street; thence along said line, N 37 -14' E, 119.99 feet to a point o on the westerly line of Orleans-Basin Connection; thence along said line N 36 -46'-20" W, 36.31 feet to point n; thence continue along said line of the Orleans-Basin Connection and the southerly line of Lafitte Ave., N 52 -46'-20" W, 411 feet to point m; thence N 57 -31'-51" W, 121.01 feet to point l and the point of beginning, containing 102,731.5 square feet.

EXHIBIT C

CONTRIBUTED STUDIES, PLANS, REPORTS AND SPECIFICATIONS

A. Rivergate Site Items

Regulated Materials (PRCMs)	Ecal/W.D.Scott Group
Regulated Materials (PRCMs)	Mid-West Enviro
Regulated Materials (PRCMS)	Industrial Cleanup Inc.
PCB Remediation	W.D. Scott Group
Asbestos Abatement	Dalco/W.D. Scott Group/ECAL

B. Municipal Auditorium Items

Regulated Material (PRCMs)	Ecal/W.D. Scott Group
Lead Base Paint	Ecal/W.D. Scott Group
Asbestos Abatement	Dalco/W.D. Scott Group

C. Norfolk Southern Site Items

Soil Investigation	Mid-West Enviro.

ESA Report on Office Bldg.	Dalco/W.D. Scott Group

D. Bill Rosenberg Items

ESA Reports for Act of Sale	W.D. Scott

E. Bauer Interiors Items

FF&E Inventory

F. Miscellaneous Contract and Other Items

1. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with Metro Consulting, together with all agreements, contracts, projections, processes, ideas, schedules, reports, studies and other work product or materials, written or otherwise, produced or created by Metro Consulting in connection with the development of the Open Access Plan designed to provide opportunities to minority and women owned businesses during the casino project's construction and operations phase, including without limitation the process for certifying that potential providers of products or services meet the requirements of the Open Access Plan.

2. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with Thomas Heier, together with all agreements, contracts, projections, processes, ideas, schedules, reports, studies and other work product and materials, written or otherwise, produced or created by Thomas Heier in connection with the negotiation and development of a Project Labor Agreement with local unions on behalf of Grand Palais.

3. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with Tucker & Associates, together with all agreements, contracts, projections, processes, ideas, schedules, reports, studies and other work product and materials, written or otherwise, produced or created by Tucker & Associates in connection with its provision of management information/computer system services and/or the development of project scheduling and budgeting formats for Grand Palais.

4. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with Bennett Bacon, together with all agreements, contracts, projections, assessments, evaluations, tests, processes, ideas, schedules, reports, studies, and other work product and materials, written or otherwise, produced or created by Bennett Bacon in connection with Bennet Bacon's analysis of environmental conditions at both the Rivergate and Municipal Auditorium sites.

5. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with Projects

International, together with all agreements, contracts, projections, processes, ideas, schedules, reports, studies, renderings, drawings, plans, specifications, work product and other materials, written or otherwise, produced or created by Projects International in connection with its design of architectural and engineering concepts in support of the governmental agency approval process for the Grand Palais Casino and the Municipal Auditorium Temporary Casino.

6. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with Billes Manning, together with all agreements, contracts, projections, processes, ideas, schedules, reports, studies, renderings, drawings, plans, specifications, work product and other materials, written or otherwise, produced or created by Billes Manning in connection with Billes Manning's services as architect of record for the Temporary Casino at the Municipal Auditorium, including without limitation the further development of Project International's design concepts and the creation of documentation for permitting and for construction.

7. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with Morphy Makofsky, together with all agreements, contracts, projections, processes, ideas, schedules, reports, studies, assessments, evaluations, tests, work product and other materials, written or otherwise, produced or created by Morphy Makofsky projections in connection with the Casino development effort and the analysis of structural

conditions of existing facilities at the Casino site and feasibility of new facilities.

8. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with The Mathes Group, together with all agreements, contracts, projections, processes, ideas, schedules, reports, studies, renderings, drawings, plans, specifications, work product and other materials, written or otherwise, produced or created by The Mathes Group in connection with its provision of design services and documentation supplemental to those provided by Projects International during the development and approval process for the casino project and, also, provision of all code conformance guidance.

9. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with Eskew Filson, together with all agreements, contracts, projections, processes, ideas, schedules, reports, studies, renderings, drawings, plans, specifications, work product and other materials, written or otherwise, produced or created by Eskew Filson in connection with the support of Projects International in the conceptual design process for the Casino project and provision of graphic representation when required by approving agencies.

10. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with W. D. Scott Group, together with all agreements, contracts, projections, processes, ideas, schedules, reports, studies, assessments, evaluations, tests, work product and other materials, written or otherwise,

produced or created by W. D. Scott Group in connection with the performance of environmental consulting services, including the survey and analysis of all properties considered in the casino development process and assistance in developing time and cost estimates for abatement of hazardous materials for both the permanent and temporary casino structures.

11. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with Gandolfo, Kuhn, together with all agreements, contracts, projections, processes, ideas, schedules, reports, studies, surveys, drawings, renderings, work product and other materials, written or otherwise, produced or created by Gandolfo, Kuhn in connection with the provision of property surveys and property descriptions for all properties included in the Lease Agreements with the City of New Orleans,

12. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with BFM Corp., together with all agreements, contracts, projections, ideas, processes, reports, schedules, surveys, assessments, drawings, renderings, work product and other materials, written or otherwise, produced or created by BFM Corp. in connection with the survey of underground and overhead utilities on or around the Rivergate site.

13. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with Mel, Inc., together with all agreements, contracts, projections, ideas, processes,

reports, schedules, surveys, assessments, drawings, renderings, work product and other materials, written or otherwise, produced or created by Mel, Inc. in connection with the survey of utilities at the casino project sites in order to have a basis with which to discuss relocations of utility lines and service with respect of utility companies.

14. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with Urban Systems, together with all agreements, contracts, projections, processes, ideas, reports, schedules, studies, renderings, drawings, plans, specifications, work product and other materials, written or otherwise, produced or created by Urban Systems in connection with the documentation required by the State and City approving agencies relating to traffic and parking studies and impact analyses.

15. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with Scale Models Unlimited, together with all agreements, contracts, projections, ideas, processes, schedules, reports, renderings, drawings, models, work product and other materials, written or otherwise, produced or created by Scale Models Unlimited in connection with its construction of a detailed model of the Grand Palais Casino which was presented to State and City approving agencies.

16. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with LPL/NOPSI, together with all agreements, contracts, projections, ideas, processes,

schedules, reports, studies, assessments, evaluations, tests, work product and other materials, written or otherwise, produced or created by LPL/NOPSI in connection with the analysis by certain LPL/NOPSI engineering groups of the feasibility of relocating overhead transmission lines to an underground route at the Casino site.

17 All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with Eustis Engineering, together with all agreements, contracts, projections, ideas, processes, schedules, reports, studies, assessments, evaluations, tests, work product and other materials, written or otherwise, produced or created by Eustis Engineering in connection with geotechnical services performed or to be performed for Grand Palais Casino, Inc., including soil tests and soil structural capacities related to both demolition and new construction at the casino project site and advice with regard to stabilization of soils in and around the project site.

18. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with Controlled Demolition, together with all agreements, contracts, projections, ideas, processes, schedules, reports, studies, assessments, evaluations, tests, work product and other materials, written or otherwise, produced or created by Controlled Demolition in connection with the feasibility study relating to the time, method and cost to demolish the initial Rivergate structure, above and below grade.

19. All right, title and interest of Grand Palais in and to all of its contracts and/or agreements with Nellie Watson, together with all agreements, contracts, projections, ideas, processes, schedules, reports, studies, assessments, drawings, renderings, plans, work product, reports, and other materials, written or otherwise, produced or created by Nellie Watson in connection with the construction of a massing model for the Casino as required by the City Planning Commission.

G. Permanent Casino Items

Conditional Use set dated	11/9/93
Mechanical Design Criteria dated	11/18/93
Electrical Design Criteria dated	11/24/93
Architectural Progress set dated	1/4/94
Architectural Progress set dated	1/11/94
Architectural Progress set dated	1/18/94
Architectural Progress set dated	2/8/94
Architectural Progress set dated	2/22/94
Architectural Progress set dated	3/1/94
Architectural Progress set dated	3/8/94
Mechanical Pricing Document dated	11/7/94
Structural Framing Plan dated	2/21/94
Structural Foundation Plan dated	3/1/94
Conceptual Parking Facility Plans dated	3/7/94
Survey of Existing Rivergate structure (to be completed)	3/16/94

Structural Load Test Scheduled for	March
Engineering Report dated	2/22/94
by Eustis Engineering	
Schematic Issue of Interiors for	
Buccaneer Bayou dated	3/9/94
Schematic Issue of interiors for	
Mansion Casino dated	3/10/94
Schematic Issue of Interiors for	
Jazz Casino dated	3/14/94

H. Temporary Casino Items

Conditional Use set dated	10/26/93
Progress set of plans and specs dated	11/23/93
Progress set of plans and specs dated	12/10/93
Progress set of plans and specs dated	12/20/93
Progress set of plans and specs dated	1/11/94
Building Permit set dated	2/11/94
Construction Document set dated	3/11/94
Special Systems Bid Documents dated	2/14/94
Kitchen Permit set dated	3/17/94
Interiors Progress set dated	1/17/94
Interiors Progress set dated	2/7/94
Interiors Construction Document set dated	3/14/94
Demolition Permit set dated	2/22/94
Civil Design for Employee Parking dated	2/17/94

Civil Design for Region "A" Site Improvement dated	1/28/94
Traffic Study dated	3/14/94
Engineering Report dated by Eustis Engineering	9/8/93

EXHIBIT D

OBLIGATIONS AND LIABILITIES INCURRED

ON BEHALF OF THE PARTNERSHIP

Grand Palais

- Contract for Professional Services between Celebration Park Casino, Inc. and Metro Consulting and Research Firm, Inc., dated as of March 1, 1993.

-	Southern Parking	Lot CP3	Management Services 30 day termination notice
-	Central Parking	Matt II	Management Services 30 day termination notice
-	John Kushner Realty	224 Poydras 228 Poydras 508 S. Peters 510 S. Peters 512 S. Peters Lot CP3	Management Services 30 day termination notice

Harrah's

- Agreement regarding Temporary Casino with Centrax-Landis for pre-construction - to date $256,000 and costs are continuing to accrue @ $6,500 per month

- Agreement regarding Permanent Casino with Centrax-Landis to put pilings in ground for $250,000

- Honore-Broadmoor - Joint Venture - Equipment has been purchased totalling $1.5 Million regarding Temporary Casino

- NOPSI regarding Temporary Casino agreement for a transformer for $50,000

- Utility Company - Agreement regarding Temporary Casino to relocate electrical service - $20,000

- Insurance required by Rivergate and Temporary Lease

Partnership

- W. D. Scott Group, Inc. 559 Holmes Blvd. Suite 200 Gretna, LA 70056	Environmental Analysis and Remediation	As Needed

-	M. W. Environmental	Environmental Analysis Norfolk & Southern Site	As Needed
-	First American Title Insurance Company 237 Lafayette St. New Orleans, LA	Title Insurance Services	As Needed
-	Gandolfo Kuhn Civil Engineers & Land Surveyors	Survey Services	As Needed

EXHIBIT E

CLAIMS AND LITIGATION OF THE PARTNERS

Grand Palais

- Claims of Caesar's New Orleans, Inc. asserted in Caesar's New Orleans, Inc. v. Grand Palais Casino, Inc., Case No. 93-22149 filed in the Civil District Court for the Parish of Orleans, State of Louisiana, Division C.

- Greater Treme Consortium claim

- Celebration Park Casino, Inc. v. New York Life Insurance Co., et. al. U.S. District Court for the Eastern District of Louisiana, 93-CV-1453.

- Travelers Insurance Co. v. Canal Place Limited Partnership (d/b/a Canal Place 2000), Grand Palais Casino, Inc. and Bodine Land Limited, 93-1054 (JAB), an adversary proceeding of In re Canal Place Limited Partnership, 90-10563 U.S. Bankruptcy Court, Eastern Division of Louisiana.

Harrah's

None

NOLDC

None

Partnership

- Henry George McCall v. Harry McCall, Jr., Case No. 93-6683 filed in the Civil District Court for the Parish of Orleans, State of Louisiana, Division C.

EXHIBIT F

CASINO CONCEPTUAL PLANS

EXHIBIT F-1

Temporary Casino Conceptual Plans (All plans produced by Billes Manning Architects except for E-1 which was prepared by Warren G. Moses)

T-1	Title Sheet	7/20/93, 8/9/93, 10/18/93, 10/26/93
C-1	Parking/Zoning Plan	10/18/93, 10/26/93, 11/10/93
C-2	Circulation Plan	8/9/93, 10/18/93, 10/26/93, 11/10/93
C-3	Maps	10/18/93, 10/26/93
C-4	Maps	10/18/93, 10/26/93
U-1	Utility Plan	10/18/93, 10/26/93
L-1	Conceptual Landscape Plan	10/18/93, 10/26/93, 11/10/93
L-2	Conceptual Landscape Plan	10/18/93, 10/26/93
A-0	Referenced Site Plan	10/26/93, 11/10/93
A-1	First Floor Plan	10/26/93
A-2	Second Floor Plan	10/26/93
A-3	Third Floor Plan	10/26/93
A-4	Fourth Floor Plan	10/26/93
A-5	Fifth Floor Plan	10/26/93
A-6	Elevations	10/18/93, 10/26/93
A-7	Elevations	10/18/93, 10/26/93
A-8	Sections	10/18/93, 10/26/93
A-9	Annex Exterior Stairs	10/18/93, 10/26/93
E-1	Lighting Plan	10/18/93, 10/26/93

EXHIBIT F-2

Permanent Casino Conceptual Plans - Progress Set (All plans produced by Perez, Ernst, Farnet/Modus, Incorporated)

A-1	Site Plan	3-8-94
A-2	Lower Basement Plan	3-8-94
A-3	Upper Basement Plan	3-8-94
A-4	First Floor Plan	3-8-94
A-5	Second Floor Plan	3-8-94
A-6	Mechanical Floor Plan	3-8-94
A-10	Roof Plan	3-8-94
A-11	Convention Center Blvd. Elevation	3-7-94
A-11.1	Poydras Street Elevation	3-7-94
A-11.2	South Peter Street Elevation	3-7-94
A-11.7	Partial Elevation-Canal Street Entrance	3-8-94
A-11.8	Partial Elevation Convention Center Blvd.	3-8-94
A-11.9	Partial Elevation Convention Center Blvd.	3-8-94
A-11.11	Enlarge Dome Elevation	3-8-94
A-12	Building Sections	3-8-94
A-12.1	Building Sections	3-8-94
A-12.2	Building Sections	3-8-94
A-13	Wall Sections	3-8-94
A-13.1	Section thru Arcade (1)	
	Section thru Entrance Loggia (2)	3-8-94

A-13.2	Wall Section at Tower (2)	
	Horizontal Detail at Light Cove (3)	
	Wall Section at Central "Platform" (4)	
	Wall Section at Lower Eaue (5)	3-8-94
A-13.3	Canopy Section	3-8-94
A-13.4	Section at South Peters Street Entrance (3)	
	Entablature at Colanade (4)	3-8-94
A-25	Partial Plan at the Porte Cochere (1)	
	Partial Plan at South Peter Canope (2)	3-8-94
A-25.1	Partial Canopy Section (1)	
	Partial Canopy Section (2)	3-8-94
A-25.2	Truss Elevations (1)	
	Connection Details (2)	3-8-94
V-C-1	Stair Information	3-8-94
V-C-2	Elevator/Escalator Information	3-8-94
V-C-3	Lower Basement Vertical Circulation Identification	3-8-94
V-C-4	Upper Basement Vertical Circulation Identification	3-8-94
V-C-5	First Floor Vertical Circulation Identification	3-8-94
V-C-6	Second Floor Vertical Circulation Identification	3-8-94
V-C-7	Stairs Detail	3-8-94
V-C-8	Stairs Detail	3-8-94
D/P-1	Door and Partition Types (Lower Basement Plan)	3-8-94
D/P-2	Door and Partition Types (Upper Basement Plan)	3-8-94
D/P-3	Door and Partition Types (First Level Floor Plan)	3-8-94

D/P-4	Door and Partition Types (Second Level Floor Plan)	3-8-94
D/P-5	Door and Partition Types (Mechanical Floor Plan)	3-8-94
D/P-6	Partition Schedule - Wall Types	3-8-94
D/P-7	Door Schedule - Upper Level, Lower Level & First Floor	3-8-94
D/P-8	Door Schedule - Continuation of First Floor, Second, Mechanical Floor	3-8-94
D/P-9	Metal Frame and Door Frame Details	3-8-94
SHT-1	Preliminary Grading Plan	3-8-94
SHT-2	Preliminary Grading Plans	3-8-94
SHT-3	Preliminary Grading Plans	3-8-94
SHT-4	Preliminary Grading Plans	3-8-94
SHT-5	Preliminary Grading Plans	3-8-94
SHT-6	Preliminary Grading Plans	3-8-94
SHT-7	Preliminary Grading Plans	3-8-94
SHT-8	Preliminary Grading Plans	3-8-94

Permanent Casino Conceptual Plans - Poydras Parking Facility

- Progress Set

A-2.1	Ground Level Plan - Square 4 Second Level Plan - Square 4	3-7-94
A-2.2	Third Level Plan - Square 4 Fourth thru Ninth Level Plan - Square 4	3-7-94
A-2.3	Roof Level Plan - Square 4 Cooling Tower Level Plan - Square 4	3-4-94
A-2.10	Ground Level Plan - Square 5	

	Second Level Plan - Square 5	3-7-94
A-2.11	Third thru Fifth Level Plan - Square 5	
	Roof Level Plan - Square 5	3-7-94
A-4.1	Convention Center Blvd. - Square 4	
	Fulton St. Elevation - Square 4	3-8-94
A-4.2	Poydras Street & Lafayette Street	3-8-94
A-4.3	Enlarged Elevations	3-8-94
A-4.11	Small Elevations	3-8-94
A-4.12	Partial Elevations - Square 5	3-8-94
A-5.1	Wall Section	3-1-94
A-6.1	1 thru 4 - Mouldings	
	5 - Elevations at Typical Openings	
	6 - Section at Upper Story Opening	
	7 - Plan at Upper Story Openings	3-9-94
A-6.2	Column Details	3-7-94
	Elevation - Convention Center	
	Blvd. and Fulton Street	2-16-94

EXHIBIT G

FORM OF UCC-1 FINANCING STATEMENT

THIS FINANCING STATEMENT is presented for filing pursuant to Chapter 9 of the Louisiana Commercial Laws.

1A. DEBTOR (LAST NAME, FIRST, MIDDLE - IF AN INDIVIDUAL)
New Orleans/Louisiana Development Corporation

1B. SS# OR EMPLOYER I.D.NO.
72-1213495

1C. MAILING ADDRESS
3500 North Hullen, Metairie, Louisiana 70002

2A. ADDITIONAL DEBTOR (IF ANY) (LAST NAME, FIRST, MIDDLE - IF AN INDIVIDUAL)

2B. SS# OR EMPLOYER I.D.NO.

2C. MAILING ADDRESS

3A. ADDITIONAL DEBTOR OR DEBTOR'S TRADE NAMES OR STYLES (IF ANY)

3B. SS# OR EMPLOYER I.D.NO.

3C. MAILING ADDRESS

SECURED PARTY INFORMATION

4A. SECURED PARTY
Grand Palais Casino, Inc.

4B. SS# OR EMPLOYER I.D.NO.
72-1214224

4C. MAILING ADDRESS
111 Rue D'Iberville, New Orleans, Louisiana 70130

5A. ASSIGNEE OF SECURED PARTY (IF ANY)

5B. SS# OR EMPLOYER I.D.NO.

5C. MAILING ADDRESS

PROPERTY INFORMATION

6A. This FINANCING STATEMENT covers the following types or items of property:
See Exhibit "A" attached hereto and made a part hereof.

6B. [X] Products of collateral are also covered.

7A. Check if applicable and attach legal description of real property:
[ ] Fixture filing under R.S. 10:9-313
[ ] Minerals or the like (including oil and gas) or accounts subject to R.S. 10:9-103(5) will be financed at the wellhead or minehead of the well or mine.
[ ] The debtor(s) do not have an interest of record in the real property. (Enter name and social security/employer I.D. number of an owner of record in 7B and 7C)

7B. OWNER OF REAL PROPERTY (if other than named debtor) (Enter name and SS#/employer I.D. number of an owner of record)

7C. SS# OR EMPLOYER I.D.NO.

8A. This statement is filed without the debtor's signature to perfect a security interest in collateral (check [X] if so):
[ ] already subject to a security interest in another jurisdiction when it was brought into this state or debtor's location changed to this state.
[ ] which is proceeds of the original collateral described above in which a security interest was perfected.
[ ] as to which the filing has lapsed.
[ ] acquired after a change of debtor's name, identity or corporate structure AND social security or employer I.D. number.

8B. [ ] Debtor is a Transmitting Utility. Filing is effective until terminated pursuant R.S. 10:9-403(8)

9. SIGNATURE(S) OF DEBTOR(S)
New Orleans/Louisiana Development Corporation
By: /s/ T. George Solomon
Its: Treasurer

12. THIS SPACE FOR USE OF FILING OFFICER (DATE, TIME, ENTRY # AND FILING OFFICER)

INSTR. No. 36-81833
MORTGAGE OFFICE
PARISH OF ORLEANS

10. SIGNATURE(S) OF SECURED PARTY(IES) (if applicable)
Grand Palais Casino, Inc.
By: /s/ Nancy S. Vassey
Its: Asst. Secretary

11. Return copy to:
NAME Gary H. Miller, Esq.
ADDRESS Jones, Walker
CITY, STATE
ZIP CODE

13. Number of additional sheets presented: 1

LOUISIANA APPROVED FORM UCC-1 SECRETARY OF STATE W. FOX McKEITHEN (REV. 1992)

Debtor: New Orleans/Louisiana Development Corporation (Federal Tax I.D. No. 72-1213495
Secured Party: Grand Palais Casino Inc. (Federal Tax I.D. No. 721214224)

EXHIBIT "A"
TO
UCC-1 FINANCING STATEMENT

ALL OF DEBTOR'S RIGHTS, TITLE AND INTEREST, IN AND TO THE FOLLOWING DESCRIBED PROPERTY, WHETHER NOW OWNED OR EXISTING OR HEREAFTER ACQUIRED OR ARISING, (i) ALL PROCEEDS, INTEREST, PROFITS AND OTHER PAYMENTS OR RIGHTS TO PAYMENT ATTRIBUTABLE TO DEBTOR'S INTERESTS IN HARRAH'S JAZZ COMPANY, A LOUISIANA GENERAL PARTNERSHIP, TOGETHER WITH ANY SUCCESSORS OR ASSIGNS, (HEREIN CALLED THE "PARTNERSHIP"), AND ALL DISTRIBUTIONS, CASH, INSTRUMENTS AND OTHER PROPERTY NOW OR HEREAFTER RECEIVED, RECEIVABLE OR OTHERWISE MADE WITH RESPECT TO OR IN EXCHANGE FOR ANY INTEREST OF DEBTOR IN THE PARTNERSHIP, INCLUDING WITHOUT LIMITATION INTERIM DISTRIBUTIONS, RETURNS OF CAPITAL, LOAN REPAYMENTS, AND PAYMENTS MADE IN LIQUIDATION OF THE PARTNERSHIP, AND WHETHER OR NOT THE SAME ARISE OR ARE PAYABLE UNDER ANY PARTNERSHIP AGREEMENT OR CERTIFICATE FORMING THE PARTNERSHIP OR THE RELATIONS AMONG THE PARTNERS IN THE PARTNERSHIP (AND ANY AND ALL SUCH PARTNERSHIP AGREEMENTS, CERTIFICATES, AND OTHER AGREEMENTS BEING HEREIN CALLED THE "PARTNERSHIP AGREEMENTS"); AND (ii) ALL OTHER INTERESTS AND RIGHTS OF GRANTOR IN THE PARTNERSHIP, WHETHER UNDER THE PARTNERSHIP AGREEMENTS OR OTHERWISE, INCLUDING WITHOUT LIMITATION ANY RIGHT TO CAUSE THE DISSOLUTION OF THE PARTNERSHIP OR TO APPOINT OR NOMINATE A SUCCESSOR TO GRANTOR AS A PARTNER IN THE PARTNERSHIP.

EXHIBIT H

EXHIBIT H-1

Form of Redemption Provisions to be Included in Holding Entity Articles of Incorporation or other Formative Document

[Similar provision to be adopted for entities other than corporations]

Any equity securities of this [corporation] are held subject to the condition that the [corporation] has the absolute right to redeem such securities by action of the [Board of Directors], if, (A) in the judgment of the [Board of Directors], any holder of the securities is determined by any gaming regulatory agency to be unsuitable, or has an application for a license or permit rejected, or has a previously issued license or permit rescinded, suspended, revoked or not renewed, as the case may be, or that such action otherwise should be taken to the extent necessary to avoid any regulatory sanctions or, to prevent the loss of or secure the reinstatement of any gaming license, franchise or entitlement from any governmental agency held by the [corporation], any affiliate of the [corporation] or any entity in which such [corporation] or affiliate is an owner, which gaming license, franchise or entitlement is (i) conditioned upon some or all of the holders of securities possessing prescribed qualifications, or (ii) needed to allow the conduct of any portion of the business of the [corporation] or any such affiliate or other entity; or (B) the holder of any equity

security of this [corporation] fails to enforce the provisions of the last paragraph of this [Article ___] against its direct owners or any parties Controlled by, Controlling, or under common Control with such holder ("Control" shall be as defined in the Partnership Agreement of Harrah's Jazz Company); provided that no holder of any equity security of this [corporation] whose equity securities are publicly traded pursuant to the Securities Exchange Act of 1934, as amended, and traded on the New York Stock Exchange, the American Stock Exchange, or NASDAQ be required to enforce the provisions of the last paragraph of this [Article ___].

The terms of such redemption shall permit the [corporation] to redeem the equity securities of a disqualified holder at a redemption price equal to the fair market value of such securities, excluding any dividends or other remuneration thereon from the date the [corporation] receives notice of a determination of unsuitability or disqualification from the government agency, or in such lesser amount as may be specified by any applicable gaming law, regulation or rule.

From and after the redemption date or such earlier date as mandated by any applicable gaming law, regulation or rule, any and all rights of whatever nature, which may be held by the owners of any equity securities of the [corporation] selected for redemption (including any rights to vote or participate in any distributions of the [corporation]), shall cease and terminate and they shall thereafter be entitled only to receive that amount payable upon redemption.

The holder of any equity security of this [corporation] shall require that the articles of incorporation, charters, partnership agreements or other formative documents of each person or entity owning a direct interest in such holder or who are Controlled by, Control, or under common Control with such holder (other than a holder who has been exempted from a suitability determination by any gaming regulatory agency) shall incorporate the provisions of this [Article ___] into their formative documents; provided that no holder of any equity security of this [corporation] whose equity securities are publicly traded pursuant to the Securities Exchange Act of 1934, as amended, and traded on the New York Stock Exchange, the American Stock Exchange, or NASDAQ shall be required to incorporate the provisions of this [Article ___] into their formative documents.

EXHIBIT H-2

Form of Provision For Loan Documents

If [the lender to the [corporation]] (the "Holder") is required to qualify or be found suitable under any applicable gaming law, regulation or rule and does not so qualify or otherwise does not meet the suitability standards pursuant to any applicable gaming law, regulation or rule, the Holder shall and hereby agrees to sell [describe debt] to a suitable holder or holders (the "Substitute Holder") that assume(s) and accept(s) the rights and obligations of the Holder. If the Holder fails to sell [describe debt] to a Substitute Holder within thirty (30)

days of being determined unsuitable or unqualified, or such lesser period of time as specified by any applicable gaming law, regulation or rule, the [corporation] may designate a Substitute Holder within an additional thirty (30) day period, or such lesser period of time as specified by any applicable gaming law, regulation or rule, or may at its election upon written notice to the Holder, subject to all restrictions of any applicable gaming law, regulation or rule, immediately redeem the Holder's [describe debt] by payment of all principal, interest and other amounts due with respect to such [describe debt]. To the extent and for so long as required by any applicable gaming law, regulation or rule, the Holder agrees that upon the Holder being determined unsuitable or unqualified, the redemption of the Holder's [describe debt] and all payments to and rights of such Holder shall be subject to all restrictions of any applicable gaming law, regulation or rule.

EXHIBIT H-3

Form of Security Legend Regarding Lease

Restrictions

The certificate shall bear a statement that the security is subject to the following restrictions:

This security is held subject to transfer restrictions of the Rivergate Development Corporation lease set forth in the [Company's Articles of

Incorporation] as more fully set forth in the legend attached to this certificate.

The legend to be attached to the certificate shall provide substantially as follows:

This security is held subject to the transfer restrictions described in Section 24.1 of that certain Temporary Casino Lease between Rivergate Development Corporation as Landlord and Harrah's Jazz Company as Tenant and City of New Orleans as Intervenor dated as of March 15, 1994, and the transfer restrictions described in Section 24.1 of that certain Permanent Casino Lease between Rivergate Development Corporation as Landlord and Harrah's Jazz Company as Tenant and City of New Orleans as Intervenor dated as of March 15, 1994, and any transfer in violation of any such restrictions shall be void at its inception.

EXHIBIT H-4

Form of Security Legend Regarding LEDGC

Restrictions

The certificate shall bear a statement on both sides that the security is subject to the following restrictions:

This security is held subject to transfer and distribution restrictions of the Louisiana Economic Development and Gaming Corporation set forth in the

[Company's Articles of Incorporation] as more fully set forth in the legend attached to this certificate.

The legend to be attached to the certificate shall provide substantially as follows (or as otherwise specified by LEDGC):

> The purported sale, assignment, transfer, pledge or other disposition of this security must receive the prior approval of the Louisiana Economic Development and Gaming Corporation. The purported sale, assignment, transfer, pledge or other disposition of any security or securities issued by the company is void unless approved in advance by the Louisiana Economic Development and Gaming Corporation. If at any time an individual owner of any such security is determined to be disqualified under the Louisiana Economic Development and Gaming Act to continue as a licensee or suitable person to hold such security, the company shall ensure that the holder does not receive any dividend or interest upon any such security, exercise, directly or indirectly through any trustee or nominee, any voting right conferred by such security, receive remuneration in any form from the Company or Harrah's Jazz Company for services rendered or otherwise receive any economic benefit from the company or Harrah's Jazz Company, or function as a manager, officer, director or partner of the company or Harrah's Jazz Company.

EXHIBIT H-5

Form of Security Legend Regarding Partnership Agreement Transfer Restrictions and Redemption Requirements

The certificate shall bear a statement that the security is subject to the following restrictions:

> This security is held subject to transfer restrictions and redemption requirements of Harrah's Jazz Company set forth in the [Company's Articles of Incorporation] as more fully set forth in the legend attached to this certificate.

The legend to be attached to the certificate shall provide substantially as follows:

> This security is held subject to the transfer restrictions described in Article 6 of that certain Amended and Restated Partnership Agreement of Harrah's Jazz Company dated as of March 15, 1994, and any transfer in violation of such restrictions shall be void at its inception.
>
> This security is held subject to the condition that the [corporation] has the absolute right to redeem this security by action of the [Board of Directors], if in the judgment of the [Board of Directors] any holder of this security is determined by any gaming regulatory agency to be unsuitable, or has an application for license or permit rejected, or has

a previously issued license or permit rescinded, suspended, revoked or not renewed, as the case may be, or that such action should be taken to the extent necessary to avoid any regulatory sanctions or, to prevent the loss of or secure the reinstatement of any gaming license, franchise or other entitlement from any governmental agency held by the [corporation], any affiliate of the [corporation] or any entity in which such affiliate or [corporation] is a an owner, which gaming license, franchise or other entitlement is (i) conditioned upon some or all of the holders of securities or interest in such entity possessing prescribed qualifications, or (ii) needed to allow the conduct of any portion of the business of the [corporation] or any such affiliate or entity. The terms of such redemption shall permit the [corporation] to redeem this security at a redemption price equal to the fair market value of this security, excluding any dividends or other remuneration thereon from the date the [corporation] receives notice of a determination of unsuitability or disqualification from the government agency, or in such lesser amount as may be specified by any applicable gaming law, regulation or rule. From and after the redemption date or such earlier date as mandated by any applicable gaming law, regulation or rule, any and all rights of whatever nature, which may be held by the owners of any equity securities of the [corporation] selected for redemption (including any rights to vote or participate in any distributions of the [corporation]), shall cease and terminate and they shall thereafter be entitled only to receive that amount payable upon redemption.

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

THIS FIRST AMENDMENT TO THE AMENDED AND RESTATED PARTNERSHIP AGREEMENT OF HARRAH'S JAZZ COMPANY (the "Amendment") is entered into this 14th day of March 1994, effective as of March 15, 1994, by and among HARRAH'S NEW ORLEANS INVESTMENT COMPANY, a Nevada corporation ("Harrah's"), NEW ORLEANS/LOUISIANA DEVELOPMENT CORPORATION, a Louisiana corporation ("NOLDC"), and GRAND PALAIS CASINO, INC., a Delaware corporation ("Grand Palais").

RECITALS

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

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

AGREEMENT

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

1. The following sentence is added at the end of Section 4.05(b) of the Partnership Agreement:

> Notwithstanding the foregoing, if, as of the date that the Casino Operating Contract is acquired by the Partnership, Grand Palais has not delivered the releases and evidence of termination required by Section 10.03(a)(v) hereof, then, until such items are delivered, the claims of any Indemnified Person(s) under Section 10.02(a) hereof shall not be subject or subordinate to the rights of Institutional Investors holding secured interests in the Partnership Interest of Grand Palais and its direct or indirect transferees.

2. The following clause is added to the end of Section 10.03(a)(i) of the Partnership Agreement:

> ; provided that the release and evidence of termination required by Section 10.03(a)(v) hereof shall have been satisfied.

3. The following sentence is added at the end of Section 10.03(a)(v) of the Partnership Agreement:

> At such time as Grand Palais shall deliver to Harrah's and NOLDC: (A) an absolute and unconditional release

of all of the Indemnified Persons of Harrah's and Indemnified Persons of NOLDC in a form satisfactory to Harrah's and NOLDC duly executed by Caesar's New Orleans, Inc., and any Affiliates of Caesar's New Orleans, Inc. having claims with respect to those matters set forth in Exhibit E hereto; and (B) evidence, satisfactory to First American Title Insurance Company or its successor in its sole discretion, of the termination of that certain Management Agreement by Grand Palais and Caesar's New Orleans, Inc., dated April 27, 1993, recorded April 29, 1993, recorded under N.A. No. 93-18483, as Mortgage Office Instrument No. 2068951, in MOB 2951, folio 123; then, the security interest granted hereby by Grand Palais with respect to a thirty two and one-third percent (32 1/3%) Percentage Share shall be released by Harrah's and NOLDC on behalf of their respective Indemnified Persons.

4. The following sentence is added at the end of Section 10.03(a)(iii) of the Partnership Agreement:

Notwithstanding the foregoing, in no event shall Grand Palais' one percent (1%) Percentage Share be released until the release and evidence of termination conditions of Section 10.03(a)(v) hereof shall have been satisfied.

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

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

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

HARRAH'S NEW ORLEANS INVESTMENT COMPANY, a Nevada corporation

By /s/ Colin V. Reed

Colin V. Reed
Senior Vice President

NEW ORLEANS/LOUISIANA
DEVELOPMENT CORPORATION, a
Louisiana corporation

By /s/ Wendell H. Gauthier

Wendell H. Gauthier,
Chairman of the Board

GRAND PALAIS CASINO, INC., a
Delaware corporation

By /s/ Christopher B. Hemmeter

Christopher B. Hemmeter,
Chairman of the Board

ACKNOWLEDGEMENT

STATE OF LOUISIANA

PARISH OF ORLEANS

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

Colin V. Reed

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

IN WITNESS WHEREOF, we have hereby subscribed our names on this 14th day of March, 1994.

/s/ Colin V. Reed

Colin V. Reed

WITNESSES:
/s/ Dennis Bourgeois

/s/ Donna J. Mueller

/s/ Thomas Y. Roberson, Jr.

Notary Public

My commission expires:
At death

ACKNOWLEDGEMENT

STATE OF LOUISIANA

PARISH OF ORLEANS

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

Wendell H. Gauthier

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

IN WITNESS WHEREOF, we have hereby subscribed our names on this 14th day of March, 1994.

/s/ Wendell H. Gauthier

Wendell H. Gauthier

WITNESSES:

/s/ Dennis Bourgeois

/s/ Donna J. Mueller

/s/ Thomas Y. Roberson, Jr.

Notary Public

My commission expires:
At death

ACKNOWLEDGEMENT

STATE OF LOUISIANA

PARISH OF ORLEANS

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

Christopher B. Hemmeter

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

IN WITNESS WHEREOF, we have hereby subscribed our names on this 14th day of March, 1994.

/s/ Christopher B. Hemmeter

Christopher B. Hemmeter

WITNESSES:

/s/ Dennis Bourgeois

/s/ Donna J. Mueller

/s/ Thomas Y. Roberson, Jr.

Notary Public

My commission expires:
At death

EXHIBIT 11

THE PROMUS COMPANIES INCORPORATED
COMPUTATIONS OF PER SHARE EARNINGS

	FISCAL YEAR ENDED		
	DECEMBER 31, 1993	DECEMBER 31, 1992	JANUARY 3, 1992
Income before extraordinary items	$ 91,793,000	$ 51,418,000	$ 30,011,000
Extraordinary items, net	(5,447,000)	1,074,000	-
Net income	$ 86,346,000	$ 52,492,000	$ 30,011,000
PRIMARY EARNINGS PER SHARE (1)			
Weighted average number of common shares outstanding	100,678,398	99,409,722	88,478,208
Common stock equivalents			
Additional shares based on average market price for period applicable to:			
Restricted stock	1,045,704	1,399,302	1,693,557
Stock options	838,272	306,702	308,058
Average number of primary common and common equivalent shares outstanding	102,562,374	101,115,726	90,479,823
PRIMARY EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE			
Income before extraordinary items	$ 0.89	$ 0.51	$ 0.33
Extraordinary items	(0.05)	0.01	-
Net income	$ 0.84	$ 0.52	$ 0.33
FULLY DILUTED EARNINGS PER SHARE (1)			
Average number of primary common and common equivalent shares outstanding	102,562,374	101,115,726	90,479,823
Additional shares based on period-end price applicable to:			
Restricted stock	11,497	-	444,126
Stock options	107,454	304,263	30,795
Average number of fully diluted common and common equivalent shares outstanding	102,681,325	101,419,989	90,954,744
FULLY DILUTED EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE			
Income before extraordinary items	$ 0.89	$ 0.51	$ 0.33
Extraordinary items	(0.05)	0.01	-
Net income	$ 0.84	$ 0.52	$ 0.33

- ---

(1) Retroactively adjusted for stock splits. (See Note 3 on page 15 of Book Two of the Annual Report.)

EXHIBIT 12

THE PROMUS COMPANIES INCORPORATED
COMPUTATIONS OF RATIOS
(IN THOUSANDS, EXCEPT RATIO AMOUNTS)

	FISCAL YEAR			
	1993	1992	1991	1990
RETURN ON REVENUES-CONTINUING				
Income from continuing operations	$ 91,793	$ 51,418	$ 30,011	$ 23,353
Revenues	1,251,855	1,113,066	1,031,112	1,004,206
Return	7.3%	4.6%	2.9%	2.3%
RETURN ON AVERAGE INVESTED CAPITAL				
Income from continuing operations	$ 91,793	$ 51,418	$ 30,011	$ 23,353
Add: Interest expense after tax	60,633	74,518	84,415	74,705
	$ 152,426	$ 125,936	$ 114,426	$ 98,058
Average invested capital	$ 1,444,747	$ 1,361,793	$ 1,262,939	$ 1,257,902
Return	10.6%	9.2%	9.1%	7.8%
RETURN ON AVERAGE EQUITY				
Income from continuing operations	$ 91,793	$ 51,418	$ 30,011	$ 23,353
Average equity	474,733	395,212	289,361	231,550
Return	19.3%	13.0%	10.4%	10.1%
RATIO OF EARNINGS TO FIXED CHARGES				
Income from continuing operations	$ 91,793	$ 51,418	$ 30,011	$ 23,353
Add/(less)				
Provision for income taxes	73,262	36,881	22,183	20,710
Interest expense	106,232	118,278	130,796	117,636
Interest included in rental expense	7,207	4,891	5,446	5,117
Amortization of capitalized interest	892	790	2,233	718
Dividends received from equity investments	441			
(Income) or loss from equity investments	(1,585)	(628)	418	1,171
Earnings as defined	$ 278,242	$ 211,630	$ 191,087	$ 168,705
Interest expense	$ 106,232	$ 118,278	$ 130,796	$ 117,636
Capitalized interest	3,127	2,379	3,014	10,612
Interest included in rental expense	7,207	4,891	5,446	5,117
Total fixed charges	$ 116,566	$ 125,548	$ 139,256	$ 133,365
Ratio of earnings to fixed charges	2.4	1.7	1.4	1.3

EXHIBIT 12 (CONTINUED)

THE PROMUS COMPANIES INCORPORATED
COMPUTATIONS OF RATIOS
(IN THOUSANDS, EXCEPT RATIO AMOUNTS)

	FISCAL YEAR			
	1993	1992	1991	1990
CURRENT RATIO				
Current assets	$ 163,558	$ 137,147	$ 117,351	$ 110,319
Current liabilities	252,004	157,283	221,814	204,013
Ratio	0.6	0.9	0.5	0.5
RATIO OF BOOK EQUITY TO DEBT				
Book equity as of fiscal year-end	$ 536,037	$ 427,930	$ 375,035	$ 213,289
Total debt	841,964	881,325	887,468	956,947
Ratio	0.6	0.5	0.4	0.2
RATIO OF MARKET EQUITY TO DEBT				
Market equity as of fiscal year-end	$ 4,678,304	$ 1,867,828	$ 743,369	$ 399,795
Total debt	841,964	881,325	887,468	956,947
Ratio	5.6	2.1	0.8	0.4
RATIO OF EBITDA TO INTEREST PAID				
Income before extraordinary items	$ 91,793	$ 51,418	$ 30,011	$ 23,353
Add/(less)				
Income tax provision	73,262	36,881	22,183	20,710
Interest expense	106,561	118,282	133,992	118,580
Interest expense of nonconsolidated affiliates	(12,707)	(14,395)	(19,122)	(15,833)

Depreciation and amortization.....	98,095	92,342	88,073	82,073
Deferred finance charge amortization....	(4,107)	(5,863)	(6,704)	(5,855)
Amortization of debt discounts and premiums.....	(1,041)	(1,661)	(649)	153
Net losses of and distributions from nonconsolidated affiliates.....	2,782	6,452	13,431	12,713
Earnings before interest, taxes, depreciation and amortization...	$ 354,638	$ 283,456	$ 261,215	$ 235,894
Interest expense.....	$ 106,561	$ 118,282	$ 133,992	$ 118,580
Add/(less)				
Interest expense of nonconsolidated affiliates.....	(12,707)	(14,395)	(19,122)	(15,833)
Deferred finance charge amortization....	(4,107)	(5,863)	(6,704)	(5,855)
Amortization of debt discounts and premiums.....	(1,041)	(1,661)	(649)	153
Capitalized interest.....	3,127	2,379	3,014	10,612
Interest paid.....	$ 91,833	$ 98,742	$ 110,531	$ 107,657
Ratio of EBITDA to interest paid.....	3.9	2.9	2.4	2.2

EXHIBIT 12 (CONTINUED)

THE PROMUS COMPANIES INCORPORATED
COMPUTATIONS OF RATIOS
(IN THOUSANDS, EXCEPT RATIO AMOUNTS)

	FISCAL YEAR			
	1993	1992	1991	1990
RATIO OF DEBT TO EBITDA				
Total debt	$ 841,964	$ 881,325	$ 887,468	$ 956,947
Income before extraordinary items	$ 91,793	$ 51,418	$ 30,011	$ 23,353
Add/(less)				
Income tax provision	73,262	36,881	22,183	20,710
Interest expense	106,561	118,282	133,992	118,580
Interest expense of nonconsolidated affiliates	(12,707)	(14,395)	(19,122)	(15,833)
Depreciation and amortization	98,095	92,342	88,073	82,073
Deferred finance charge amortization	(4,107)	(5,863)	(6,704)	(5,855)
Amortization of debt discounts and premiums	(1,041)	(1,661)	(649)	153
Net losses of and distributions from nonconsolidated affiliates	2,782	6,452	13,431	12,713
Earnings before interest, taxes, depreciation and amortization	$ 354,638	$ 283,456	$ 261,215	$ 235,894
Ratio of debt to EBITDA	2.4	3.1	3.4	4.1

The Promus Companies

1993

Financial Review

Operating Results by Segment
(In thousands)

	Fiscal Year Ended			Percentage Increase (Decrease)	
	December 31, 1993	December 31, 1992	January 3, 1992	'93 vs. '92	'92 vs. '91
Casino Entertainment					
Revenues					
Casino	$ 812,081	$711,777	$686,177	14.1 %	3.7 %
Food and beverage	139,522	133,485	129,147	4.5 %	3.4 %
Rooms	102,024	94,092	88,749	8.4 %	6.0 %
Other	62,322	43,901	39,620	42.0 %	10.8 %
Less: casino promotional allowances	(100,720)	(92,151)	(84,750)	9.3 %	8.7 %
Total revenues	1,015,229	891,104	858,943	13.9 %	3.7 %
Operating expenses					
Departmental direct costs					
Casino	369,335	334,702	338,529	10.3 %	(1.1)%
Food and beverage	76,498	71,551	69,702	6.9 %	2.7 %
Rooms	33,124	31,958	31,346	3.6 %	2.0 %
Other	301,305	265,683	248,571	13.4 %	6.9 %
Total operating expenses	780,262	703,894	688,148	10.8 %	2.3 %
	234,967	187,210	170,795	25.5 %	9.6 %
Property transactions	-	(327)	168	N/M	N/M
Operating income	$ 234,967	$186,883	$170,963	25.7 %	9.3 %
Operating income before property transactions margin	23.1%	21.0%	19.9%	2.1 pts	1.1 pts
Hotel					
Revenues					
Rooms	$ 121,105	$124,192	$ 88,109	(2.5)%	41.0 %
Food and beverage	8,094	8,310	6,436	(2.6)%	29.1 %
Franchise and management fees	60,359	51,719	45,320	16.7 %	14.1 %
Other	40,740	33,993	27,126	19.8 %	25.3 %
Total revenues	230,298	218,214	166,991	5.5 %	30.7 %
Operating expenses					
Departmental direct costs					
Rooms	65,529	71,191	51,256	(8.0)%	38.9 %
Food and beverage	8,235	8,696	6,127	(5.3)%	41.9 %
Other	91,338	89,252	75,358	2.3 %	18.4 %
Total operating expenses	165,102	169,139	132,741	(2.4)%	27.4 %
	65,196	49,075	34,250	32.8 %	43.3 %
Property transactions	1,345	(5,713)	(1,354)	N/M	N/M
Operating income	$ 66,541	$ 43,362	$ 32,896	53.5 %	31.8 %
Operating income before property transactions margin	28.3%	22.5%	20.5%	5.8 pts	2.0 pts
Other					
Revenues	$ 6,328	$ 3,748	$ 5,178	68.8 %	(27.6)%
Operating expenses	3,616	2,577	6,056	40.3 %	(57.4)%
Operating income (loss)	$ 2,712	$ 1,171	$ (878)	N/M	N/M

Management's Discussion and Analysis
of Financial Condition and Results of Operations

The prime objective of management of The Promus Companies Incorporated (Promus) is to create outstanding value for our customers in order to create outstanding value for our stockholders. Since Promus' creation on February 7, 1990, when its stock was spun-off (the Spin-off) to Holiday Corporation (Holiday) stockholders, the commitment to this objective has been evident in Promus' strategic decisions and financial performance and is also reflected in Promus' plans for the future. Since the Spin-off, the per share market value of Promus' common stock has increased more than 300%.

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 the Embassy Suites, Hampton Inn and Homewood Suites hotel brands (collectively, Promus Hotels). During 1993, unit growth in both business segments and reduced interest expense combined to drive a 65.4% increase in cash flows from operations over the prior year. This increase follows a 38.9% increase in cash flows from operations achieved in 1992 over 1991. Promus' increasing cash flows from operations provides a foundation from which to pursue opportunities to further grow its businesses, either through expansion of existing facilities or development of new projects, and for funding debt service requirements.

CAPITAL SPENDING AND DEVELOPMENT

Widespread growing acceptance in recent years of casino gaming as a form of entertainment has led to a sweeping transformation of the industry and prompted the proliferation of casino gaming in many new, emerging markets, both domestically and internationally. From the six land-based casinos in operation at the end of 1992 located in the traditional markets of Nevada and New Jersey, Promus' casino entertainment division has grown to include twelve properties in five states. In recognition of the additional opportunities presented by the proliferation of casino gaming and the potential for additional returns to our stockholders, Promus continues to focus the majority of its capital spending on casino entertainment development opportunities.

Although the casino entertainment segment's development activities captured the majority of the attention during 1993, the growth achieved by the hotel segment is also noteworthy. After less than 10 years in operation, Promus Hotels has grown to a combined total of over 500 hotels, including more than 50 hotels added in 1993. The growth achieved by Promus Hotels is a testament to the strength and attractiveness of its franchise systems since all 90 hotels added to the systems during 1993 and 1992 were developed by franchisees.

Casino Entertainment Development

Proliferation of casino entertainment is opening new markets for development of land-based facilities, riverboats, casinos on Indian lands and limited stakes gaming in such venues as historic mining towns. To maintain its leading position in the casino entertainment industry and to further build the value of the Harrah's brand as a national casino brand, Promus continues to actively investigate and pursue development opportunities in emerging markets throughout the U.S. and, to a lesser extent, abroad.

Harrah's New Orleans. The year's development activities were highlighted by the Louisiana Economic Development and Gaming Corporation's (LEDGC) selection of a partnership (the Partnership) in which a Promus subsidiary is a partner to negotiate exclusively for a license to develop, own and operate what is expected to be one of the world's largest casinos in New Orleans. A Promus subsidiary has a one-third ownership interest in the project and will supervise the design and construction of the casino. Another Promus subsidiary will manage the operations of the casino for a fee.

Construction of a 400,000 square foot permanent casino facility, to include approximately 200,000 square feet of casino gaming space featuring approximately 6,000 slot machines and 200 table games, is expected to be completed in third quarter 1995.

During the construction period, the Partnership plans to convert the New Orleans Municipal Auditorium into an approximate 76,000 square foot temporary casino featuring approximately 3,000 slot machines and 85 table games. Depending on timely approvals from governmental and regulatory authorities and satisfaction of other contingencies as discussed below, the temporary casino is projected to be in operation during third quarter 1994. The estimated combined total cost of the permanent casino facility, the temporary casino, significant new parking structures and adjoining commercial buildings and approximately $170 million of upfront payments to the City of New Orleans and the State of Louisiana is approximately $720 million. The Partnership is expecting to finance the project through a combination of partner capital and public and bank debt. The Partnership is currently in process of registering $425 million in debt to be sold through a public offering and arranging $200 million in bank debt. Promus' total capital contribution to this project is expected to be approximately $23.3 million. Promus will provide a completion guarantee for the project, subject to certain exceptions, in exchange for a fee to be paid by the Partnership.

Before construction of either the temporary casino in the Municipal Auditorium or the permanent casino facility can begin, certain events must occur. These include execution of leases for the respective sites and obtaining various approvals, contracts and licenses from the appropriate governing bodies including those of the City of New Orleans and the LEDGC. Other conditions and legal issues pertinent to the transaction must also be satisfied, including execution of a definitive partnership agreement and related contracts and securing of financing. Litigation primarily concerning title to the permanent casino site has been decided favorably at the trial court level. However, if the litigation were ultimately decided unfavorably, it may delay or prevent the opening of the casino facilities or adversely affect their operations.

Riverboat Casinos. As a result of prior development efforts, riverboat casinos opened during 1993 in Joliet, Illinois, and Tunica and Vicksburg, Mississippi. On January 12, 1994, a second riverboat began operations in Joliet. In addition to the four riverboats now operating, Promus has previously announced the development of the following riverboat casinos and related facilities:

		Expected Number of		Project Cost (in millions)		
Location	Percent Owned	Slots	Tables	Total Est.	Spent to Date	Targeted Opening Date
Shreveport, LA	86%	760	40	$71	$29.6	2nd qtr 1994
North Kansas City, MO	100%	1,225	55	83	15.3	3rd qtr 1994
St. Louis Riverport, MO	100%	1,000	55	82	6.7	4th qtr 1994

Promus is the general partner and also manager, for a fee, of the Shreveport riverboat project. The opening of each project is subject to the approval of various regulatory bodies, and, in Missouri, a state and local referendum is scheduled for April 5, 1994, to address the uncertainty of legalized gaming in that state.

Indian Lands. Promus continues to actively pursue development opportunities for casinos on Indian lands under the provisions of the Indian Gaming Regulatory Act of 1988. Promus has entered into management and development agreements for a planned $24.7 million casino entertainment facility near Phoenix, Arizona, to be owned by the Ak-Chin Indian Community of the Maricopa Indian Reservation. Promus does not expect to fund this development, although it may guarantee the related bank financing. Commencement of construction and the opening of the facility are subject to the receipt of necessary approvals from various regulatory agencies, including the National Indian Gaming Commission. Promus will manage the facility for a fee. The Tribal/State Compact between the Ak-Chin Community and the State of Arizona has received approval from the U.S. Department of the Interior. In addition, Promus is in various stages of negotiations with a number of other Indian communities to develop and/or manage facilities on Indian lands.

Limited Stakes. During December 1993, Promus acquired a 17% limited partnership interest in an entity which owns two limited stakes casinos in Central City and Black Hawk, Colorado. Both casinos, which are managed by Promus for a fee, are now operated under the Harrah's name, supporting the overall strategy of making Harrah's a national casino entertainment brand.

International. During 1993, Promus and its local partner were selected by the government of New Zealand to develop and operate a casino in Auckland, New Zealand. Promus will contribute $15 million in exchange for a 20% interest in the partnership and will manage the facility for a fee. Construction of the $150 million project, to be financed through a combination of partner contributions and specific non-recourse debt, is expected to begin in first quarter 1994, and the facility is projected to be in operation in first quarter 1996.

Existing Land-Based Markets. On-going refurbishment and maintenance of Promus' existing casino entertainment facilities in Nevada and New Jersey will continue during 1994 at an estimated cost of $40 million to maintain the quality standards set for Harrah's facilities. No major additions of casino square footage or hotel rooms are currently underway at these properties.

Overall. In addition to the projects discussed above, Promus is aggressively pursuing additional casino entertainment development opportunities in various new jurisdictions across the United States and

abroad, although no definitive development agreements have been signed and no capital commitments to construct such a facility 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. Development costs charged to casino entertainment segment other operating expense amounted to $10.2 million for fiscal 1993 and are expected to continue at or above this level in fiscal 1994. Construction-related costs incurred after the receipt of necessary approvals are capitalized and depreciated over the estimated useful life of the resulting asset.

A number of these casino entertainment development projects, if they go forward, may require, individually and in the aggregate, a significant capital commitment and, if completed, may result in

significant additional revenues. The commitment of capital, the timing of completion and the commencement of operations of casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies.

Hotel Development

After less than 10 years in operation, Promus Hotels surpassed a major milestone in 1993 with the opening of its 500th system hotel during December 1993. With the opening of 52 franchised properties during 1993, Promus Hotels ended the year with 503 properties in its combined systems. An additional 50 franchised properties were under construction or being converted to Promus brands at December 31, 1993.

Of the 50 franchise projects under development at year-end, 41 are Hampton Inns, five are Embassy Suites and four are Homewood Suites. The growth being experienced by the Hampton Inn brand can primarily be attributed to the introduction in 1991 of a downsized Hampton Inn property suitable for smaller markets. A similar concept has been developed for the Homewood Suites brand, and construction of a company-owned prototype of this concept will begin during second quarter 1994. The prototype is expected to be completed by the end of 1994 at a cost of less than $6 million. During 1993, the Hampton Inn & Suites concept was introduced. The combination of rooms and suites in a single property offered by this concept will target a new development segment not currently addressed by existing brands, providing Promus with broadened opportunities for future growth in the hotel segment.

During 1993, Promus reduced the number of company-owned hotel properties from 38 to 32 as a result of the transfer of its ownership interests in five Embassy Suites hotels to a third party in exchange for cash, notes receivable and the third party's assumption of the related mortgages, and the sale of an Embassy Suites hotel in an unrelated transaction to a third party for cash and assumption of the related debt. All six properties remain in the Embassy Suites system as franchises and five are being managed by Embassy Suites for a fee. If some of the remaining 32 company-owned properties were sold, some of the proceeds may be used to enhance the brands' growth as part of Promus' on-going strategy.

On-going refurbishment of Promus' existing company-owned hotel properties to maintain the quality standards set for those properties will continue in 1994 at an estimated cost of $8.5 million.

Summary

Cash needed to finance the projects currently under development as well as the additional projects being pursued by Promus will be made available from operating cash flows, the New Facility (see Debt Refinancing Activities section), joint venture partners, specific project financing, guarantees by Promus of third party debt, sales of existing hotel assets and, if necessary, Promus debt and/or equity offerings. Promus' capital expenditures totaled $251 million during 1993. An additional $375 million to $425 million is expected to be spent during 1994 to fund project development, including the projects discussed in this Capital Spending and Development section, refurbishment of existing facilities and other projects.

DEBT REFINANCING ACTIVITIES

To strengthen its financial structure and better position the Company for growth, during 1993 Promus replaced its existing bank debt with a new, more flexible bank facility; issued $200 million of public debt; filed a shelf registration which can provide access, on an as needed basis, to an additional $200 million of debt financing; and negotiated additional interest rate swap agreements. These actions continued Promus' strategy of freeing its operating cash flows for reinvestment and development purposes by lengthening the maturities of its long-term debt and reducing its current interest payment requirements. As a result of these actions, Promus has effectively provided for its debt maturity requirements into the year 1998.

New Bank Facility. Promus' new bank facility is a $650 million reducing revolving and letter of credit facility (New Facility), which not only enabled the Company to prepay the remaining balance of its existing bank debt (Old Facility) but also provides a financing source for future capital expenditures and the necessary liquidity to retire $39.1 million of 10 1/2% Notes maturing in April 1994 and $200 million of 9% Notes maturing in February 1995. Of the total $650 million available under the New Facility, there is a sub-limit of $255 million for issuance of letters of credit. At December 31, 1993, $170.0 million in borrowings were outstanding under the New Facility. An additional $222.6 million of the New Facility was committed to back certain letters of credit, including a $204.7 million letter of credit supporting the existing 9% Notes. After consideration of these borrowings, $257.4 million was available to Promus under the New Facility as of December 31, 1993. The approximate $11.5 million of deferred finance charges incurred related to the New Facility are being amortized over the life of the debt using the interest method.

8 3/4% Notes Issuance. During 1993, Promus, through its wholly-owned subsidiary Embassy Suites, Inc. (Embassy), completed a $200 million private placement offering of Embassy's 8 3/4% Senior Subordinated Notes due 2000 (8 3/4% Notes). The net proceeds of approximately $196.3 million from the 8 3/4% Notes were used to prepay amounts due under the Old Facility. The 8 3/4% Notes, which are unsecured and unconditionally guaranteed by Promus, were issued with essentially the same provisions as, and are pari passu in right of payment to, Embassy's 10 7/8% Senior Subordinated Notes due 2002 (10 7/8% Notes) issued in 1992. Subsequent to the completion of the private placement, Embassy completed an offering which exchanged all of the 8 3/4%

Notes for new notes on the same terms, except the new notes are registered under the Securities Act of 1933.

Shelf Registration. To provide additional borrowing capacity and financing flexibility, 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.

Interest Rate Agreements. Promus has entered into interest rate swap agreements, as summarized in the following table, in order to benefit from the favorable interest rates available in the current financial markets.

Associated Debt	Swap Rate (LIBOR+)	Effective Rate at Dec. 31, 1993	Next Semi-Annual Rate Adjustment Date	Swap Agreement Expiration Date
10 7/8% Notes				
$200 million	4.731%	8.143%	April 15	October 15, 1997
8 3/4% Notes				
$50 million	3.42%	6.929%	May 15	May 15, 1998
$50 million	3.22%	6.764%	January 18	July 15, 1998

As a result of these swaps, approximately 56% of Promus' outstanding debt was at variable rates as of December 31, 1993. In accordance with the terms of the interest rate swap agreements, the effective interest rate on $50 million of the 8 3/4% Notes was adjusted on January 18, 1994, to 6.688%. This rate will remain in effect until July 15, 1994.

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

EQUITY TRANSACTIONS

On October 29, 1993, Promus' Board of Directors approved a three-for-two stock split, in the form of a stock dividend, which was effected by a distribution on November 29, 1993, to stockholders of record on November 8, 1993. This split was in addition to a two-for-one stock split, also in the form of a stock dividend, distributed on March 29, 1993, to stockholders of record on March 8, 1993. All prior year numbers of common shares and earnings per share amounts referenced in this Annual Report have been restated to give retroactive effect to these stock splits. The number of common shares authorized and the per share par value of the stock were not affected by the splits. The stock splits reflect Promus' confidence in its continued growth and make the shares more accessible to a broader base of investors.

During 1992, Promus acquired a 20% ownership interest in Sodak Gaming, Inc. (Sodak). During 1993, Sodak completed an initial public offering of its common stock. As required by equity accounting rules, Promus increased the carrying value of its investment in Sodak by an amount equal to its pro-rata share of the proceeds of Sodak's offering, approximately $6.4 million. A corresponding increase was recorded in the combination of Promus' capital surplus and deferred income tax liability accounts. As a result of this offering, Promus' ownership interest in Sodak has fallen below 20% and, accordingly, the investment is no longer accounted for on the equity method.

RESULTS OF OPERATIONS

Total Promus (in millions, except earnings per share)	1993	1992	1991	Percentage Increase (Decrease) '93 vs '92	'92 vs '91
Revenues	$1,251.9	$1,113.1	$1,031.1	12.5%	7.9%
Operating income	304.2	231.4	203.0	31.5%	14.0%
Net income	86.3	52.5	30.0	64.4%	75.0%
Earnings per share	0.84	0.52	0.33	61.5%	56.0%
Operating margin	24.3%	20.8%	19.7%	3.5pts	1.1pts

Promus' casino entertainment and hotel segments both achieved record operating results during 1993 reflecting the unit growth attained in both segments. This unit growth together with the lower overall cost of debt were the primary contributors to a 64.4% increase in Net income. The combined growth achieved in 1993 by both of Promus' primary operating segments continues the trend noted in 1992. A summary of the performance of Promus' operating segments for the three fiscal years ended December 31, 1993, is presented on the inside front cover of Book Two of this Annual Report.

The present mix of Promus' operating income among the casino entertainment divisions and the growth experienced by the hotel segment have strengthened Promus' overall operating results and reflect the increasing diversification of Promus' operations. The following table summarizes operating income before property transactions for fiscal years 1993, 1992 and 1991 as a percent of the total for each of Promus' casino entertainment divisions and primary business segments:

	Fiscal Year		
	1993	1992	1991
Casino Entertainment			
Southern Nevada	26 %	28 %	27 %
Northern Nevada	25 %	28 %	28 %
Atlantic City	23 %	28 %	32 %
Riverboat	9 %	-	-
Other	(5)%	(5)%	(4)%
	78 %	79 %	83 %
Hotel	21 %	21 %	17 %
Other	1 %	-	-
Total Promus	100 %	100 %	100 %

CASINO ENTERTAINMENT

Promus' casino entertainment segment includes 12 casino properties located in Colorado, Illinois, Mississippi, New Jersey and Nevada. Eleven of the properties are operated under the brand name Harrah's. The casino entertainment segment contributed approximately 81% of Promus' 1993 consolidated revenues and 78% of operating income before property transactions. The principal factors affecting casino entertainment segment results are: gaming volume, which is the dollar amount of wagers placed by slot customers and chips purchased at tables by table customers; the win percentage, which is the proportion of wagers won by Promus; and Promus' ability to manage costs.

The casino entertainment segment's revenues and operating income increased in 1993 primarily due to the addition of three riverboat properties during the year. The Riverboat Division contributed 8.9% and 11.9% of the segment's revenues and operating income, respectively. Excluding the Riverboat Division's results, revenues and operating income increased 3.7% and 10.6%, respectively, over the prior year. This increase in revenues reflects a 5.2% increase in total volume, offset by a 0.2 percentage point decline in overall hold percentage reflecting the continuing shift in play from table games to slots. This shift continues a trend noted in the prior year and is consistent with industry trends. The disproportionate increase in operating income before property transactions versus revenues is primarily due to continuing cost saving efforts and operating efficiencies achieved during the year. In addition, the increase in operating income was achieved in spite of increased development costs incurred related to the pursuit of new casino projects. Development costs charged to expense in 1993 totaled $10.2 million versus $6.0 million in 1992.

For 1992, the revenue increase for the casino entertainment segment was primarily due to a 9.5% growth in gaming volume. The impact of the volume increase on revenue was partially offset by a 0.4 percentage point decrease in hold percentage reflecting the shift in play from table games to slots. The increase in operating income before property transactions outpaced the revenue growth due to cost saving efforts and operating efficiencies achieved during the year and due to a $3.3 million charge in 1991 to terminate the Holiday Inn franchise agreement at the Holiday Casino and Holiday Inn hotel in Las Vegas. Excluding the termination fee, the increase in operating income before property transactions was 7.5%.

Southern Nevada Division

(in millions)	1993	1992	1991	Percentage Increase (Decrease) '93 vs '92	'92 vs '91
Revenues	$ 294.3	$ 266.3	$ 242.0	10.5%	10.0%
Operating income	79.4	65.8	55.6	20.7%	18.3%
Operating margin	27.0%	24.7%	23.0%	2.3pts	1.7pts
Gaming volume	$3,069.6	$2,895.2	$2,569.8	6.0%	12.7%

During 1993, Promus' Southern Nevada Division experienced growth in both table games and slot volume. In Las Vegas, the property continued to benefit from the name change to Harrah's, completed in 1991, as reflected in a 13.4% increase in table play. In addition, the third Laughlin hotel tower, completed during third quarter 1992, attracted greater volume to that property.

During 1992, the Southern Nevada Division experienced growth in both table games and slot volume, as well as revenue growth in non-gaming areas, reflecting the impact of the name change to Harrah's in Las Vegas and additional hotel rooms in Laughlin. The Southern Nevada Division also benefitted from airfare wars among the major airlines during 1992. The increase in operating income over 1991 was due in part to the inclusion in the prior year's results of the Holiday Inn franchise termination fee for the Las Vegas property. Excluding this fee from the comparison, the Southern Nevada Division's operating income increased 11.7%.

Northern Nevada Division

Percentage Increase (Decrease)

(in millions)	1993	1992	1991	'93 vs '92	'92 vs '91
Revenues	$ 315.6	$ 310.5	$ 304.5	1.6%	2.0%
Operating income	76.6	67.3	56.5	13.8%	19.1%
Operating margin	24.3%	21.7%	18.6%	2.6pts	3.1pts
Gaming volume	$3,756.0	$3,716.7	$3,502.1	1.1%	6.1%

The Northern Nevada Division's continuing emphasis on cost savings and operating efficiencies enabled the division to again achieve disproportionate growth in operating income and margin versus revenue growth.

In addition to the emphasis on cost savings and achieving operating efficiencies, slot volume increases also favorably impacted results throughout 1992. These improved results were achieved despite the impact of a week-long fire, which closed the main highway from California in early October 1992, as well as major snowstorms in December 1992, which restricted access to the markets.

Atlantic City

(in millions)	1993	1992	1991	Percentage Increase (Decrease) '93 vs '92	'92 vs '91
Revenues	$ 312.1	$ 312.1	$ 310.3	-	0.6%
Operating income	68.0	66.2	65.7	2.7%	0.8%
Operating margin	21.8%	21.2%	21.2%	0.6pts	-
Gaming volume	$2,991.6	$2,724.1	$2,457.9	9.8%	10.8%

In 1993, Harrah's Atlantic City was successful in maintaining its revenues in the face of highly competitive market conditions. The property experienced net growth in gaming volume as play continued to shift from table games to slots. The lower hold percentage inherent to slot play offset the impact of the volume growth on revenues. The negative impact on revenues of inclement weather experienced early in the year was offset by the proceeds from a related business interruption insurance claim. Despite flat revenues, however, the Atlantic City property was able to improve its operating margins through effective cost management, especially related to promotional allowances.

In 1992, the revenue impact of the net growth in gaming volume experienced by the property as play shifted from table games to slots was offset by the costs incurred to obtain the increased slot volume in a highly competitive market.

Riverboat Division

(in millions)	1993
Revenues	$ 90.8
Operating income	28.0
Operating margin	30.8%
Gaming volume	$822.3

The Riverboat Division includes the operations of the three riverboat properties opened during 1993, as well as the results of the Division's group staff function. Promus' first riverboat casino, the Harrah's Northern Star, began operations in Joliet, Illinois, in May 1993. Dockside casinos in Tunica and Vicksburg, Mississippi, began operations in November 1993. The higher operating margin achieved by this Division reflects the operational differences between a riverboat facility and a conventional land-based property, the economies of scale derived from the centralization of certain Division support functions and limited competition currently faced by facilities opening in new, emerging markets.

HOTEL

Promus' hotel segment is composed of three hotel brands targeted to specific market segments: Embassy Suites, Hampton Inn and Homewood Suites. The hotel segment contributed approximately 18% of Promus' 1993 consolidated revenues and 21% of its operating income before property transactions. The principal factors affecting hotel segment results are: continued growth in the number of hotels; the occupancies and room rates achieved by the hotel systems; the number and relative mix of owned, managed and franchised hotels; and Promus' ability to manage costs.

Total revenue increases in 1993 over the prior year are primarily due to franchise system growth in the Hampton Inn brand, which added 3,895 rooms to its system during 1993, and revenue per available room/suite (RevPAR/S) growth by all three brands. Compared to the prior year, RevPAR/S increased 6.5% at Hampton Inn, 5.1% at Embassy Suites and 9.6% at Homewood Suites. The number of rooms/suites at franchised properties and RevPAR/S significantly affects hotel segment results since franchise royalty fees are based upon rooms/suites revenues of the franchised hotels. Partially offsetting the revenue increase is the reduction in the number of company-owned Embassy Suites hotel properties.

Operating income before property transactions continued to outpace the increase in revenues due to the lower direct costs associated with increases in franchise royalties. Partially offsetting the growth in operating income before property transactions during 1993 was a $3.6 million writedown of a receivable from an Embassy franchisee.

During third quarter 1993, Promus consolidated management of its hotel brands under a single organizational structure. Similar to the 1991 management consolidation of the Hampton Inn and Homewood Suites brands, the consolidation of all three brands' management is expected to yield future overhead cost savings as expected operating efficiencies are realized.

For 1992, revenues increased due to the inclusion of a full year's operations for the five all-suite hotels acquired by Embassy Suites in October 1991, and increased franchise and management fees reflecting growth in each brand's franchise system, especially Hampton Inn. Operating income before property transactions for 1992 outpaced the increase in revenues due to lower direct costs associated with the increase in franchise royalties. Partially offsetting the impact on operating income of these increased royalties was a $2.9 million nonrecurring charge recorded during first quarter 1992 related to the relocation of Embassy Suites hotel division's headquarters.

Hotel segment property transactions for 1993 included the gain on the sale of an Embassy Suites property. 1992 included a $3.6 million writedown of a joint venture hotel that was sold during the year. This property transaction writedown was offset by an extraordinary gain resulting from the forgiveness of the joint venture's non-recourse debt.

OTHER FACTORS AFFECTING EARNINGS PER SHARE

				Percentage Increase (Decrease)	
(in millions)	1993	1992	1991	'93 vs '92	'92 vs '91
Corporate expense	$ 27.1	$ 28.5	$ 26.8	(4.9)%	6.3 %
Interest expense	106.6	118.3	134.0	(9.9)%	(11.7)%
Other expense (income)	0.7	(3.6)	(10.0)	N/M	(64.0)%
Effective tax rate	43.1%	41.8 %	42.5 %	1.3pts	(0.7)pts
Extraordinary loss (income), net	5.4	(1.1)	-	N/M	-

Corporate expense declined from 1992 primarily due to lower legal fees. In 1992, the increase in corporate expense was primarily due to increased incentive compensation-related, training and computer-services expenses, partially offset by lower legal fees.

Interest expense decreased in 1993 from the prior year as a result of the previously discussed debt refinancing activities which lowered overall effective interest rates, increased capitalized interest associated with casino entertainment development projects and lower overall levels of debt. Interest expense decreased during 1992 due to lower interest rates throughout the year and lower overall levels of debt.

Other income for 1992 included the gain from the sale of Promus' remaining interest in an insurance company, partially offset by the recognition of a $2.0 million loss for Promus' guarantee to its Savings & Retirement Plan of that plan's investment in a guaranteed investment contract. In 1991, other income included a gain from the sale of stock in an insurance company.

As a result of the early retirements of debt, Promus recorded a non-cash extraordinary loss of $5.4 million, net of tax, during 1993 to write off the remaining related unamortized deferred finance charges. During 1992, Promus incurred three extraordinary items, including a $2.7 million extraordinary gain, net of tax, on the forgiveness of debt. This gain represented Promus' equity share of an extraordinary gain recognized by one of Embassy Suites' joint ventures due to the forgiveness by the secured lender of the venture's non-recourse debt. A second extraordinary gain of $1.8 million, net of tax, represented a discount realized by Promus upon early extinguishment of a mortgage on a company-owned hotel property. Partially offsetting these extraordinary gains was a $3.4 million extraordinary loss, net of tax, on the early extinguishment of debt, including a premium paid to holders of notes tendered under a fixed spread tender offer and the write-off of related deferred finance charges.

TAX MATTERS

The effective tax rate for all periods is higher than the federal statutory rate primarily due to state income taxes. The overall effective tax rate for 1993 increased over the prior year due to the impact of a one percent increase in the federal income tax rate as part of the Revenue Reconciliation Act of 1993. In addition to the increased current year provision necessary to accrue for the tax rate increase, the 1993 provision also includes a $1.2 million charge to adjust the beginning of year deferred income tax balances as required by Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. Promus adopted SFAS No. 109 during 1992 and applied the provisions of this statement retroactively to the Spin-off date (February 7, 1990).

In connection with the Spin-off, Promus is liable, with certain exceptions, for the taxes of Holiday and subsidiaries for all pre-merger 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 is expected to be 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 subsequent to year-end. The total liability of approximately $23.7 million for the federal income

taxes and interest payments discussed above was included in current liabilities at December 31, 1993. A protest defending the taxpayer's position on all unagreed issues for the 1987 through Spin-off periods was filed with the IRS during third quarter 1993 and negotiations to resolve disputed issues are currently expected to begin during the second half of 1994. Final resolution of the disputed issues is not expected to have a materially adverse effect on Promus' consolidated financial position or its results of operations.

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 $539.9 million at December 31, 1993. 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.

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 adding more than 10,000 rooms during fourth quarter 1993. In Laughlin, expansions by competitors completed in 1993 increased the number of rooms available in that market by 12%. In Reno, competitors have announced new projects which, if constructed, will add significant additional casino space and hotel rooms to that market. In addition, the proliferation of casino gaming activity in many new jurisdictions 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. Also furthering the proliferation of casino gaming has been the Indian Gaming Regulatory Act of 1988 which, as of February 24, 1994, resulted in the approval of 105 compacts for the development of casinos on Native American lands in 19 states. Promus is not able to determine the impact, whether favorable or unfavorable, that these developments will have on the markets in which it currently operates. However, management believes that the current balance of its operations among the existing casino entertainment divisions and the hotel segment as discussed above, combined with the further geographic diversification and the pursuit of the Harrah's national brand strategy presently underway in its casino entertainment segment, have well-positioned Promus to face the challenges presented by these developments and will reduce the potentially negative impact these new developments may have on Promus' overall operations.

EFFECTS OF INFLATION

Inflation has had little effect on Promus' historical operations. Generally, Promus has not experienced any significant negative impact on gaming volume or on the wagering propensity of its customers as a result of inflationary pressures. Furthermore, Promus has been successful in increasing the amount of wagers and playing time of its casino customers through effective marketing programs. Casino management has also, from time to time, adjusted its required minimum bets at table games and changed the relative mix of slot machines in favor of machines with higher denominations. These strategies supplemented by effective cost management programs have offset the impact of inflation on Promus' casino entertainment operations.

In its hotels and food and beverage operations, Promus has been able to increase rates and prices and thereby pass on the effects of inflationary cost increases. Competitive conditions, principally the result of an overbuilt market for hotels, may limit the industry's future ability to raise hotel room rates at the rate of inflation. However, the hotel market segments in which Promus operates are expected to show stronger than industry average growth rates in both supply and demand. Promus will continue to emphasize hotel segment cost containment and productivity improvement programs.

Inflation tends to increase the underlying value of Promus' real estate and management and franchise contracts.

Consolidated Balance Sheets
(In thousands, except share amounts)

	December 31, 1993	December 31, 1992
Assets		
Current assets		
Cash and cash equivalents	$ 61,962	$ 43,756
Receivables, including notes receivable of $2,197 and $9,831, less allowance for doubtful accounts of $10,864 and $11,598	47,448	53,283
Deferred income taxes (Note 8)	21,024	15,196
Prepayments	18,063	11,697
Supplies	12,996	11,296
Other	2,065	1,919
Total current assets	163,558	137,147
Land, buildings, riverboats and equipment		
Land	245,846	243,678
Buildings, riverboats and improvements	1,143,356	1,064,363
Furniture, fixtures and equipment	435,231	375,489
	1,824,433	1,683,530
Less: accumulated depreciation	(486,231)	(435,039)
	1,338,202	1,248,491
Investments in and advances to nonconsolidated affiliates (Note 13)	70,050	50,985
Deferred costs and other (Note 4)	221,308	159,914
	$1,793,118	$1,596,537
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 60,530	$ 50,669
Construction payables	26,345	-
Accrued expenses (Note 4)	162,969	102,716
Current portion of long-term debt (Note 6)	2,160	3,898
Total current liabilities	252,004	157,283
Long-term debt (Note 6)	839,804	877,427
Deferred credits and other	86,829	83,606
Deferred income taxes (Note 8)	63,460	46,623
	1,242,097	1,164,939
Minority interest	14,984	3,668
Commitments and contingencies (Notes 7, and 10 through 12)		
Stockholders' equity (Notes 3, 12 and 13)		
Common stock, $1.50 par value, authorized-120,000,000 shares, outstanding-102,258,442 and 101,882,082 shares (net of 25,251 and 44,442 shares held in treasury)	153,388	152,823
Capital surplus	201,035	178,972
Retained earnings	187,203	100,857
Deferred compensation related to restricted stock	(5,589)	(4,722)
	536,037	427,930
	$1,793,118	$1,596,537

The accompanying Notes to Consolidated Financial Statements are an integral part of these balance sheets.

Consolidated Statements of Income
(In thousands, except per share amounts)

	Fiscal Year Ended		
	December 31, 1993	December 31, 1992	January 3, 1992
Revenues			
Casino	$ 812,081	$ 711,777	$ 686,177
Rooms	223,129	218,284	176,858
Food and beverage	147,616	141,795	135,583
Franchise and management fees	60,359	51,719	45,320
Other	109,390	81,642	71,924
Less: casino promotional allowances	(100,720)	(92,151)	(84,750)
Total revenues	1,251,855	1,113,066	1,031,112
Operating expenses			
Departmental direct costs			
Casino	369,335	334,702	338,529
Rooms	98,653	103,149	82,602
Food and beverage	84,733	80,247	75,829
Depreciation of buildings, riverboats and equipment	77,590	69,575	63,857
Other	318,669	287,937	266,128
Total operating expenses	948,980	875,610	826,945
	302,875	237,456	204,167
Property transactions	1,345	(6,040)	(1,186)
Operating income	304,220	231,416	202,981
Corporate expense	(27,136)	(28,450)	(26,825)
Interest expense, net of interest capitalized (Notes 2 and 13)	(106,561)	(118,282)	(133,992)
Other (expense) income, including interest income	(714)	3,615	10,030
Income before income taxes and minority interest	169,809	88,299	52,194
Provision for income taxes (Note 8)	(73,262)	(36,881)	(22,183)
Minority interest	(4,754)	-	-
Income before extraordinary items	91,793	51,418	30,011
Extraordinary items, net of tax benefit (provision) of $3,415 and $(753) (Note 5)	(5,447)	1,074	-
Net income	$ 86,346	$ 52,492	$ 30,011
Earnings per share before extraordinary items	$ 0.89	$ 0.51	$ 0.33
Extraordinary items, net	(0.05)	0.01	-
Earnings per share	$ 0.84	$ 0.52	$ 0.33
Average common shares outstanding	102,562	101,116	90,480

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Stockholders' Equity
(Notes 3, 12 and 13)
(In thousands)

	Common Stock				Deferred Compensation Related to Restricted	
	Shares Outstanding	Amount	Capital Surplus	Retained Earnings	Stock	Total
Balance - December 28, 1990	79,959	$119,938	$ 77,660	$ 18,354	$(12,203)	$203,749
Net income				30,011		30,011
Public offering of common stock, net of issue costs of $6,920	21,000	31,500	94,580			126,080
Net shares issued under incentive compensation plans, less income tax provision of $1,600	409	614	(61)		5,102	5,655
Balance - January 3, 1992	101,368	152,052	172,179	48,365	(7,101)	365,495
Net income				52,492		52,492
Net shares issued under incentive compensation plans, including income tax benefit of $3,726	514	771	6,793		2,379	9,943
Balance - December 31, 1992	101,882	152,823	178,972	100,857	(4,722)	427,930
Net income				86,346		86,346
Pro-rata share of proceeds from equity investee's initial public offering, less income tax provision of $2,662			3,752			3,752
Net shares issued under incentive compensation plans, including income tax benefit of $10,467	376	565	18,311		(867)	18,009
Balance - December 31, 1993	102,258	$153,388	$201,035	$187,203	$ (5,589)	$536,037

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Cash Flows
(Note 9)
(In thousands)

	Fiscal Year Ended		
	December 31, 1993	December 31, 1992	January 3, 1992
Cash flows from operating activities			
Net income	$ 86,346	$ 52,492	$ 30,011
Adjustments to reconcile net income to cash flows from operating activities			
Extraordinary items	8,862	(1,827)	-
Depreciation and amortization	98,095	92,342	88,073
Other noncash items	27,356	25,678	21,779
Minority interest share of net income	4,754	-	-
Equity in earnings of and distributions from nonconsolidated affiliates	2,782	6,452	13,431
Net (gains) losses from property transactions	(1,481)	972	(5,405)
Net change in long-term accounts	2,239	(11,451)	(12,288)
Net change in working capital accounts	33,929	2,437	7,386
Tax indemnification payments to Bass	(8,459)	(13,238)	(32,186)
Cash flows provided by operating activities	254,423	153,857	110,801
Cash flows from investing activities			
Land, buildings, riverboats and equipment additions	(235,766)	(117,771)	(118,266)
Increase in construction payables	26,345	-	-
Proceeds from sales of equity investments	-	3,733	12,026
Proceeds from property transactions	25,169	3,585	6,459
Investments in and advances to nonconsolidated affiliates	(15,431)	(13,487)	(3,986)
Other	(27,954)	(8,334)	(13,371)
Cash flows used in investing activities	(227,637)	(132,274)	(117,138)
Cash flows from financing activities			
Debt retirements	(358,762)	(189,219)	(82,406)
Proceeds from issuance of senior subordinated notes, net of issue costs of $3,819 and $5,687	196,181	194,313	-
Net borrowings under Revolving Credit Facility, net of issue costs of $11,547	158,453	-	-
Net repayments under retired revolving credit facility	(9,000)	(16,000)	(43,000)
Minority interest contributions, net of distributions	4,548	2,908	-
Proceeds from issuance of common stock, net of issue costs of $6,920	-	-	126,080
Premiums paid on early extinguishment of debt	-	(4,426)	-
Cash flows (used in) provided by financing activities	(8,580)	(12,424)	674
Net increase (decrease) in cash and cash equivalents	18,206	9,159	(5,663)
Cash and cash equivalents, beginning of period	43,756	34,597	40,260
Cash and cash equivalents, end of period	$ 61,962	$ 43,756	$ 34,597

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements
(Dollars in thousands, unless otherwise stated)

Note 1 - Basis of Presentation and Organization

The Promus Companies Incorporated (Promus), a Delaware corporation, is a hospitality company with two primary business segments: casino entertainment and hotels. Promus is one of the leading casino entertainment companies in the United States, owning and operating casino 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 Tunica and Vicksburg, Mississippi, and Joliet, Illinois. Harrah's also has an ownership interest in and manages two limited stakes casinos in Colorado. The casino entertainment segment contributed 78% and 79% of Promus' 1993 and 1992 consolidated operating income before property transactions, respectively.

Promus' hotel segment is composed of three different hotel brands targeted to specific market segments: Embassy Suites, Hampton Inn and Homewood Suites. Through franchise licensing agreements, management contracts, joint ventures and direct ownership, the hotel segment contributed 21% of Promus' 1993 and 1992 consolidated operating income before property transactions.

Promus' other operations segment is composed of its risk management division and an equity investment in a hotel finance company.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include 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 and extraordinary gain of these nonconsolidated affiliates in Revenues - other. Promus' proportionate share of interest expense and extraordinary gain on forgiveness of debt of such nonconsolidated affiliates is included in interest expense and extraordinary items, respectively, in the Consolidated Statements of Income. (See Note 13 for combined summarized financial information regarding these nonconsolidated affiliates.)

Fiscal Year. As of the beginning of 1992, Promus changed from a fiscal year to a calendar year for financial reporting purposes. The impact of this change on Promus' financial statements was immaterial. For years prior to fiscal 1992, Promus' fiscal year ended on the Friday nearest to December 31. Fiscal year 1991 included 53 weeks.

Cash Equivalents. Cash equivalents are highly liquid investments with a maturity of less than three months and are stated at the lower of cost or market value.

Supplies. Supplies inventories, which consist primarily of food, beverage and operating supplies, are stated at average cost.

Land, Buildings, Riverboats and Equipment. Land, buildings, riverboats and equipment are stated at cost. Land includes land held for future development or disposition which totaled $42.1 million and $41.4 million at December 31, 1993 and 1992, respectively. Improvements and extraordinary repairs that extend the life of the asset are capitalized. Maintenance and repairs are expensed as incurred. Interest expense is capitalized on internally constructed assets at Promus' overall weighted average borrowing rate of interest. Capitalized interest amounted to $3.1 million, $2.4 million and $3.1 million in 1993, 1992 and 1991, respectively.

Depreciation of buildings, riverboats and equipment is calculated using the straight-line method over the estimated useful life of the assets or over the related lease term, as follows:

Buildings and improvements	4 to 40 years
Riverboats	30 years
Furniture, fixtures and equipment	2 to 15 years

Treasury Stock. Shares of Promus' common stock held in treasury are reflected in the Consolidated Balance Sheets and Consolidated Statements of Stockholders' Equity as if they were retired.

Revenue Recognition. Casino revenues consist of net gaming

wins. Food and beverage and rooms revenues include the aggregate amounts generated by those departments at all company-owned hotels and casino hotels.

Casino promotional allowances consist principally of the retail value of complimentary food and beverages, accommodations and entertainment provided to casino patrons. The estimated costs of providing such complimentary services, classified as casino expenses through interdepartmental allocations, were as follows:

	1993	1992	1991
Food and beverage	$52,057	$51,235	$48,221
Rooms	13,140	12,658	10,840
Other	1,541	1,657	6,901
	$66,738	$65,550	$65,962

Amortization. The excess of costs over net assets of businesses acquired and other intangibles are amortized on a straight-line basis over periods up to 40 years. Deferred management and franchise contract costs are amortized on a straight-line basis over the term of the related contract, generally 10 to 20 years. Deferred finance charges are amortized using the interest method based on the terms of the related debt agreements. Pre-opening costs, representing primarily direct salaries and other operating costs incurred prior to the opening of new facilities, are deferred and amortized on a straight-line basis over the three year period after the opening of the related facility.

Property Transactions. Property transactions include gains and losses from asset sales, including sales of joint venture equity interests, writedowns of assets to net realizable value and the on-going costs of Promus' asset management staff. The operations of properties sold are included in the financial statements through the date of sale.

Income Taxes. In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. Under the asset and liability method of accounting for income taxes prescribed by SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date. Promus adopted SFAS No. 109 in 1992 and applied the provisions of the statement retroactively.

Earnings Per Share. Earnings per share is computed by dividing Net income by the number of weighted average common shares outstanding during the year, including common stock equivalents and adjusted for stock splits (see Note 3).

Reclassifications. Certain amounts for prior fiscal years have been reclassified to conform with the presentation for fiscal year 1993.

Note 3 - Stockholders' Equity

On October 29, 1993, Promus' Board of Directors approved a three-for-two stock split (October Split), in the form of a stock dividend, effected by a distribution on November 29, 1993, of one additional share for each two shares owned by stockholders of record on November 8, 1993. The October Split followed a two-for-one stock split, also effected as a stock dividend, approved by Promus' Board of Directors on February 26, 1993, and distributed on March 29, 1993. The $1.50 par value per share of Promus' common stock was unchanged by these stock splits. The par value of the additional shares issued as a result of these stock splits was capitalized into common stock on the balance sheet by means of a transfer from capital surplus. All references in these financial statements to numbers of common shares and earnings per share have been restated to give retroactive effect to both stock splits.

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

Under the terms of employee compensation programs previously approved by the stockholders, Promus has reserved shares of its common stock for issuance under the Restricted Stock and Stock Option Plans. (See Note 12 for a description of the plans.) The following table summarizes the total number of shares authorized for issuance under each of these plans and the remaining unissued shares as of December 31, 1993:

	Restricted Stock Plan	Stock Option Plan
Total shares authorized for issuance under the plan	4,800,000	5,850,000
Shares issued under the plan	4,296,106	3,099,845
Shares held in reserve for issuance under the plan as of December 31, 1993	503,894	2,750,155

To protect its existing stockholders, Promus' Board of Directors has authorized that one-third of a special right be attached to each outstanding share of common stock. These rights entitle the holders to purchase, under certain conditions, units consisting of fractional shares of special stock-series B at a purchase price of $125 per unit, subject to adjustment. The rights also, under certain conditions, entitle the holders to purchase $250 worth of common stock for $125. These rights expire on October 5, 1996, unless Promus decides to redeem them earlier at $0.05 per right or upon the occurrence of certain other events.

Note 4 - Detail of Certain Balance Sheet Accounts

Deferred costs and other consisted of the following:

	1993	1992
Excess of cost over net assets of businesses acquired	$ 50,719	$ 52,558
Cash surrender value of life		

insurance (Note 12)	44,734	43,064
Receivables due after one year, net of allowance for doubtful accounts of $644	33,777	4,918
Pre-opening costs	23,146	3,379
Deferred finance charges	18,950	16,446
Deferred management and franchise contract costs	10,173	16,526
Other	39,809	23,023
	$221,308	$159,914

Accrued expenses consisted of the following:

	1993	1992
Payroll and other compensation	$ 37,388	$ 29,003
Insurance claims and reserves	35,920	29,989
Taxes, including income taxes	34,757	9,146
Deposits and customer funds	14,824	8,955
Accrued interest payable	13,388	8,292
Other accruals	26,692	17,331
	$162,969	$102,716

Note 5 - Extraordinary Items

The components of the net extraordinary items for fiscal 1993 and 1992 were as follows:

	1993	1992
Losses on early extinguishments of debt	$(8,862)	$(5,558)
Gain on forgiveness of joint venture debt	-	4,353
Gain due to discounting of debt at extinguishment	-	3,032
	(8,862)	1,827
Income tax benefit (provision)	3,415	(753)
Extraordinary items, net of income taxes	$(5,447)	$ 1,074

Note 6 - Long-Term Debt

Long-term debt consisted of the following:

	1993	1992
Secured Bank Facilities		
Revolving Credit Facility, 4.953%-6.5% at December 31, 1993, maturity 1998	$170,000	$ -
9% Notes, backed by letter of credit, maturity 1995	199,790	199,624
Term Loan Facility, 6.4%-10.3% at December 31, 1992	-	307,220
8 5/8% Notes, backed by letter of credit	-	47,131
Revolving Credit Facility, 7.5% at December 31, 1992	-	9,000
8 3/4% Senior Subordinated Notes-unsecured, maturity 2000	200,000	-
10 7/8% Senior Subordinated Notes-unsecured, maturity 2002	200,000	200,000
Notes payable and other-unsecured, 8 3/8%-15%, maturities to 2001	69,218	71,929
Mortgages, 8%-8 3/4%, maturities to 2005	309	45,525
Capital lease obligations, 8.1%-15.2%, maturities to 1998	2,647	896
	841,964	881,325
Current portion of long-term debt	(2,160)	(3,898)
	$839,804	$877,427

As of December 31, 1993, annual principal requirements for the four years subsequent to 1994 were: 1995, $2 million; 1996, $2 million; 1997, $2 million; and 1998, $411 million. Promus intends to fund scheduled debt retirements of $39.1 million due in 1994 and $200.0 million due in 1995 using funds to be drawn under the long-term revolving credit facility. Therefore, these notes are considered to be retired in 1998 for purposes of this disclosure.

New Bank Facility. In July 1993, Promus entered into a new secured bank facility, which is a $650 million reducing revolving and letter of credit facility (New Facility). Reductions of the borrowing capacity available under the New Facility are as follows: $50 million, July 1996; $75 million, January 1997; $75 million, July 1997; and $450 million, July 1998. Of the $650 million available under the New Facility, there is a sub-limit of $255 million for letters of credit. The New Facility provides for borrowings at either the Eurodollar rate plus 1 1/2% or the prime rate plus 1/2%. The annual fees on letters of credit and commitment fees on the unutilized portion under the New Facility are 1 3/4% and 1/2%, respectively.

The New Facility is secured by the assets of Promus' Nevada and New Jersey casino properties, the stock of Embassy Suites, Inc. (Embassy) and certain other subsidiaries and certain other casino entertainment segment trademarks. The New Facility agreement contains financial covenants requiring Promus to maintain a specific tangible net worth and to meet other financial ratios. Its covenants limit Promus' ability to pay dividends and to repurchase its outstanding shares.

As of December 31, 1993, Promus' borrowings under the New Facility were $170 million and an additional $222.6 million was committed to back certain letters of credit, including a $204.7 million letter of credit backing the 9% Notes. After consideration of these borrowings, $257.4 million of

the New Facility was available to Promus at December 31, 1993.

Senior Subordinated Notes. During first quarter 1993, Embassy, a wholly-owned subsidiary of Promus, completed a private placement offering of $200 million principal amount of 8 3/4% Senior Subordinated Notes due 2000 (8 3/4% Notes). The 8 3/4% Notes are unsecured and contain covenants which, among other things, place limitations on Embassy's ability to pay dividends and make restricted payments, as defined, to Promus (see Note 14), and limit Embassy's ability to incur additional debt. During third quarter 1993, Embassy completed an offering which exchanged all of the 8 3/4% Notes for new notes with the same terms, except the new notes are registered under the Securities Act of 1933.

During 1992, Embassy completed a public offering of $200 million principal amount of 10 7/8% Senior Subordinated Notes due 2002 (10 7/8% Notes). The 10 7/8% Notes, which are unsecured, were issued with essentially the same financial covenants as and are pari passu in right of payment to the 8 3/4% Notes.

Promus has unconditionally guaranteed Embassy's obligations under both the 8 3/4% Notes and the 10 7/8% Notes.

Interest Rate Agreements. During May 1993, Promus entered into two $50 million interest rate swap agreements to convert $100 million of the 8 3/4% Notes to floating interest rates equal to LIBOR plus 3.42% on $50 million and LIBOR plus 3.22% on $50 million. The LIBOR components are adjusted semi-annually on May 15 and November 15 for $50 million and on July 15 and January 15 for the remaining $50 million. The interest rate swap agreements expire on May 15, 1998, and July 15, 1998, respectively. The interest rates in effect until May 15 and July 15, 1994, are 6.929% and 6.688%, respectively.

During October 1992, Promus entered into interest rate swap agreements to effectively convert all $200 million of the 10 7/8% Notes to a floating interest rate of LIBOR plus 4.731% through October 1997, when the agreements expire. The effective interest rate is adjusted semi-annually on April 15 and October 15 of each year. The interest rate in effect until April 15, 1994, is 8.143%.

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

Other. Embassy has an effective shelf registration with the Securities and Exchange Commission for up to $200 million of new debt securities. 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.

Based on the borrowing rates currently available for debt with similar terms and maturities and quoted market prices of its publicly traded debt, the fair value of Promus' long-term debt, including the rate collar and the interest rate swap agreements, was approximately $882 million and $926 million at December 31, 1993 and 1992, respectively.

Note 7 - Leases

Promus leases both real estate and equipment used in its operations through operating and capital leases. Leases which transfer substantially all benefit and risk incidental to the ownership of property are capitalized. In addition to minimum rentals, many leases provide for contingent rents based on percentages of revenue. Real estate operating leases range from five to 10 years with various automatic extensions totaling up to 30 years. The average remaining term for other operating leases, which generally contain renewal options, extends approximately five years. The costs of leased assets are amortized over periods not in excess of the lease terms.

Rental expense associated with operating leases included in the Consolidated Statements of Income was as follows:

	1993	1992	1991
Noncancelable			
Minimum	$14,183	$15,252	$12,004
Contingent	723	557	459
Sublease	(4)	(26)	(26)
Other	6,997	3,713	3,273
	$21,899	$19,496	$15,710

The future minimum rental commitments as of December 31, 1993, were as follows:

	Capital Leases	Non-cancelable Operating Leases
1994	$ 993	$ 17,506
1995	869	15,827
1996	838	11,715
1997	406	8,684
1998	12	7,594
Thereafter	-	130,410
Total minimum lease payments	3,118	$191,736
Amounts representing executory costs	(13)	

Net minimum lease payments	3,105
Amounts representing interest	(458)
Total obligations under capital leases	2,647
Obligations under capital leases due within one year	(772)
Long-term obligations under capital leases	$1,875

Minimum rental commitments exclude contingent rentals, which may be paid under certain leases based on a percentage of revenues in excess of specified amounts.

Note 8 - Income Taxes

Federal and state income tax expense is allocated among continuing operations, extraordinary items and items charged or credited directly to stockholders' equity. Promus' provision (benefit) for income taxes attributable to identified income statement and balance sheet line items was as follows:

	1993	1992	1991
Income before income taxes and minority interest	$ 73,262	$ 36,881	$ 22,183
Extraordinary items	(3,415)	753	-
Stockholders' equity			
Compensation expense for tax purposes (in excess of) less than amounts recognized for financial reporting purposes	(10,467)	(3,726)	1,600
Pro-rata share of proceeds from equity investee's initial public offering	2,662	-	-
	$ 62,042	$ 33,908	$ 23,783

Income tax expense attributable to Income before income taxes and minority interest consisted of the following:

	1993	1992	1991
Current			
Federal	$ 56,643	$ 21,145	$ 5,235
State	5,610	5,587	5,664
Deferred	11,009	10,149	11,284
	$ 73,262	$ 36,881	$ 22,183

The differences between the statutory federal income tax rate and the effective tax rate expressed as a percentage of Income before income taxes and minority interest were as follows:

	1993	1992	1991
Statutory tax rate	35.0%	34.0%	34.0%
Increases (decreases) in tax resulting from:			
State taxes, net of federal tax benefit	2.7	5.2	7.2
Minority interest in partnership earnings	(1.0)	-	-
Adjustment of valuation of deferred tax assets and liabilities due to change in tax rate	0.7	-	-
Targeted jobs tax credit	(0.5)	(0.8)	(1.6)
Goodwill amortization	0.4	0.7	1.2
Other	5.8	2.7	1.7
	43.1%	41.8%	42.5%

The components of Promus' net deferred tax liability included in the Consolidated Balance Sheets were as follows:

	1993	1992
Deferred tax assets		
Compensation	$ 21,080	$ 21,960
Self-insurance reserves	9,456	9,227
Deferred income	5,676	5,810
Bad debt reserve	4,122	4,956
Tax credits	927	10,115
Other	3,284	1,382
	44,545	53,450
Deferred tax liabilities		
Property	(68,170)	(64,048)
Investments	(12,715)	(17,640)
Deferred system fund	(3,327)	(1,899)
Basis difference in other assets	(2,761)	(1,065)
Other	(8)	(225)
	(86,981)	(84,877)
Net deferred tax liability	$(42,436)	$(31,427)

Note 9 - Supplemental Cash Flow Information

The increase (decrease) in cash and cash equivalents due to the changes in long-term and working capital accounts was as follows:

	1993	1992	1991
Long-term accounts			
Land, buildings, riverboats and equipment	$ 115	$ 13	$ (249)
Deferred costs and other assets	(3,443)	(6,859)	(7,280)
Deferred credits and other long-term liabilities	5,567	(4,605)	(4,759)
Net change in long-term accounts	$ 2,239	$(11,451)	$(12,288)
Working capital accounts			
Receivables	$(3,716)	$ (8,433)	$ 2,552
Supplies	(1,762)	(151)	324
Prepayments	(6,115)	(3,983)	(2,111)
Other current assets	(146)	576	366
Accounts payable	9,862	(2,522)	(5,264)
Accrued expenses	35,806	16,950	11,519
Net change in working capital accounts	$33,929	$ 2,437	$ 7,386

Supplemental Disclosure of Noncash Investing and Financing Activities. During 1993, Promus transferred its ownership interest in five hotel properties to a third party in exchange for cash, the assumption by the third party of the related existing mortgage debt totalling $42.2 million and the issuance of $10 million in notes receivable maturing in three to five years. In an unrelated 1993 transaction, Promus sold a hotel property to a third party for cash and assumption by the third party of the related existing $3.3 million mortgage debt.

During April 1992, Promus invested an additional $10 million in its hotel finance subsidiary. The funds for this investment were provided by a certificate of deposit, which had been previously recorded as a long-term investment.

During October 1991, Promus acquired five all-suite hotels for cash and the assumption of $40.9 million of existing mortgage debt. During July 1991, Promus acquired the remaining ownership interest in a hotel joint venture by assuming $16.7 million of existing mortgage debt.

These noncash transactions have been excluded from the Consolidated Statements of Cash Flows.

Supplemental Disclosure of Cash Paid for Interest and Taxes. The following table reconciles Promus' Interest expense, net of interest capitalized, per the Consolidated Statements of Income, to cash paid for interest:

	1993	1992	1991
Interest expense, net of amount capitalized (Note 2)	$106,561	$118,282	$133,992
Adjustments to reconcile to cash paid for interest:			
Promus' share of interest expense of nonconsolidated affiliates(Note 13)	(12,707)	(14,395)	(19,122)
Net change in accruals	(10,711)	(5,411)	(1,822)
Amortization of deferred finance charges	(4,107)	(5,863)	(6,704)
Net amortization of discounts and premiums	(1,041)	(1,661)	(649)
Cash paid for interest, net of amount capitalized	$ 77,995	$ 90,952	$105,695

Cash payments, net of refunds, for income taxes amounted to $49,771, $28,038 and $39,774 for 1993, 1992 and 1991, respectively (see Note 8).

Note 10 - Commitments and Contingencies

Contractual Commitments. Promus is pursuing many casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties, guarantees by Promus of third party debt and development completion guarantees. As of December 31, 1993, Promus has guaranteed third party loans of $65 million, which are secured by certain assets, and has contractual agreements to construct riverboat casino facilities of $55 million, excluding amounts previously recorded.

Promus manages certain hotels for others under agreements that 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 $41.3 million over the next 30 years.

Guarantee of Insurance Contract. Promus' defined contribution savings plan (see Note 12) includes a $12.9 million guaranteed investment contract with an insurance company. Promus has agreed to provide non-interest-bearing loans to the plan to fund, on an interim basis, withdrawals from this contract by retired or terminated employees. Promus' maximum exposure on this guarantee as of December 31, 1993, is $8.0 million.

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

Severance Agreements. Promus has severance agreements with 12 of its senior executives, which provide for payments to the executives in the event of their termination after a change in control, as defined, of Promus. These agreements provide, among other things, for a compensation payment

equal to 2.99 times the average annual compensation paid to the executive for the five preceding calendar years, as well as for accelerated payment or accelerated vesting of any compensation or awards payable to the executive under any of Promus' incentive plans. The estimated amount, computed as of December 31, 1993, that would have been payable under the agreements to these executives based on earnings and stock options aggregated approximately $44.5 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-merger tax periods. Bass PLC (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 (see Note 11). All federal income taxes and interest assessed by the Internal Revenue Service (IRS) for the 1978 through 1984 tax years were paid during 1992. The federal income taxes and interest thereon associated with the agreed issues from the IRS audit of the 1985 and 1986 tax years were paid in 1991. Negotiations with the IRS to resolve disputed issues for the 1985 and 1986 tax years were concluded and settlement reached during fourth quarter 1993. Final payment of the federal income taxes and related interest due under the settlement is expected to be 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 subsequent to year-end. The total liability of approximately $23.7 million for the federal income tax and interest payments discussed above was included in current liabilities at December 31, 1993. A protest of all unagreed issues for the 1987 through Spin-off periods was filed with the IRS during the third quarter of 1993 and negotiations to resolve disputed issues are currently expected to begin during the second quarter of 1994. Final resolution of the disputed issues is not expected to have a materially adverse effect on Promus' consolidated financial position or its results of operations.

Note 11 - 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 12 - Employee Benefit Plans

Savings and Retirement Plan. Promus maintains a defined contribution savings and retirement plan, which, among other things, allows pre-tax and after-tax contributions to be made by employees to the plan. Under the plan, participating employees may elect to contribute up to 16 percent of their eligible earnings, the first six percent of which Promus will match fully. Amounts contributed to the plan are invested, at the participant's option, in a Promus company stock fund, a diversified stock fund, an income fund and a treasury fund. Participants become vested in Promus' matching contribution over seven years of credited service. Promus' contribution expense for this plan was $8.4 million, $7.4 million and $7.1 million in 1993, 1992 and 1991, respectively.

Employee Stock Ownership Plan. Promus has an employee stock ownership plan, which is a noncontributory stock bonus plan covering employees of Promus and its affiliates. Promus' contributions to the plan are discretionary and are made only if approved by the Human Resources Committee of Promus' Board of Directors. Contributions of $0.7 million, $0.8 million and $0.3 million were approved for the plan years 1993, 1992 and 1991, respectively.

Restricted Stock and Stock Option Plans. As a component

of Promus' retention and long-term compensation packages, key employees may be granted shares of common stock under the Promus Restricted Stock Plan (RSP) and/or options to purchase shares of Promus common stock under the Promus Stock Option Plan (SOP). Shares granted under the RSP are restricted as to transfer and subject to forfeiture during a specified period or periods prior to vesting. The shares generally vest over staggered periods ranging from two to four years. No awards of RSP shares may be made under the current plan after November 1999. The deferred compensation related to the RSP shares is generally amortized to expense over the vesting period and this expense totaled $4.8 million, $4.3 million and $6.5 million in 1993, 1992 and 1991, respectively.

Promus SOP allows an option holder to purchase Promus common stock over specified periods of time, generally 10 years, at a fixed price equal to the market value at the date of grant. No options may be granted under the SOP after November 1999. A summary of stock option transactions during 1993 follows:

		Number of Common Shares	
	Option Price Range (Per Share)	Options Outstanding	Available for Grant
Balance - January 1, 1993	$ 1.19-$15.67	2,222,745	631,968
1993 grants	18.75- 47.75	326,470	(326,470)
Exercised	1.19- 15.67	(216,821)	-
Canceled	3.94- 37.33	(194,657)	194,657
Additional shares authorized by stockholders		-	2,250,000
Balance - December 31, 1993	1.19- 47.75	2,137,737	2,750,155
Exercisable at December 31, 1993	1.19- 15.67	382,608	

Deferred Compensation Plans. Promus maintains deferred compensation plans under which certain employees and its directors may defer a portion of their compensation. Amounts deposited into these plans are unsecured liabilities of Promus and earn interest at rates approved by the Human Resources Committee of the Board of Directors. The total liability included in Deferred credits and other liabilities for these plans at December 31, 1993 and 1992 was $33.9 million and $29.2 million, respectively. In connection with the administration of one of these plans, Promus has purchased company-owned life insurance policies insuring the lives of certain directors, officers and key employees.

Multi-Employer Pension Plans. Approximately 2,500 of Promus' employees are covered by union sponsored, collectively bargained multi-employer pension plans. Promus contributed and charged to expense $2.0 million, $1.8 million and $1.8 million in 1993, 1992 and 1991, respectively, for such plans. Information from the plans' administrators is not sufficient to permit Promus to determine its share, if any, of unfunded vested benefits.

Note 13 - Nonconsolidated Affiliates

Combined summarized balance sheet information and income statements of nonconsolidated affiliates which Promus accounted for using the equity method as of December 31, 1993 and 1992, and for the three fiscal years ended December 31, 1993, were as follows:

	1993	1992	1991
Combined Summarized Balance Sheet Information			
Current assets	$ 76,097	$ 92,308	
Land, buildings and equipment, net	830,620	814,394	
Other assets	115,031	127,187	
Total assets	1,021,748	1,033,889	
Current liabilities	144,070	177,912	
Long-term debt	747,671	700,261	
Other liabilities	112,723	46,247	
Total liabilities	1,004,464	924,420	
Net assets	$ 17,284	$ 109,469	
Combined Summarized Income Statements			
Revenues	$ 999,626	$ 942,380	$ 852,558
Operating income	$ 46,383	$ 53,195	$ 48,546
Net loss	$ (74,868)	$ (9,422)	$ (34,357)

Promus' share of nonconsolidated affiliates' combined net losses are reflected in the accompanying Consolidated Statements of Income as follows:

	1993	1992	1991
Pre-interest operating income (included in Revenues-other)	$ 15,592	$ 10,086	$ 10,702
Interest expense (included in Interest expense)	$(12,707)	$(14,395)	$(19,122)
Extraordinary gain on forgiveness of debt (included in Extraordinary items, net)	$ -	$ 2,699	$ -
Promus' investments in and advances to nonconsolidated affiliates			
At equity	$ 35,893	$ 38,872	
At cost	34,157	12,113	
	$ 70,050	$ 50,985	

The values of certain 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 Balance Sheets was $5.1 million and $4.2 million at December 31, 1993 and 1992, respectively.

During the second quarter of 1993, Sodak Gaming, Inc. (Sodak), an equity investment of Promus, completed an initial public offering of its common stock. As required by equity accounting rules, Promus increased the carrying value of its investment in Sodak by an amount equal to its pro-rata share of the proceeds of Sodak's offering, approximately $6.4 million. A corresponding increase was recorded in the combination of Promus' capital surplus and deferred income tax liability accounts. As a result of this offering, Promus' ownership interest in Sodak has fallen below 20% and, accordingly, the investment is no longer accounted for on the equity method.

Note 14 - Summarized Financial Information

Embassy is a wholly owned subsidiary and the principal asset of Promus. Summarized financial information of Embassy as of December 31, 1993 and 1992 and for each of the three fiscal years ended December 31, 1993, prepared on the same basis as Promus, was as follows:

	1993	1992	1991
Current assets	$ 165,753	$ 132,540	
Land, buildings, riverboats and equipment, net	1,338,202	1,248,491	
Other assets	290,454	209,723	
	1,794,409	1,590,754	
Current liabilities	240,438	142,479	
Long-term debt	839,804	877,427	
Other liabilities	150,646	129,046	
Minority interest	14,984	3,668	
	1,245,872	1,152,620	
Net assets	$ 548,537	$ 438,134	
Revenues	$1,249,986	$1,109,331	$1,031,112
Operating income	$ 302,119	$ 230,491	$ 202,981
Income before income taxes and minority interest	$ 168,027	$ 87,833	$ 52,596
Net income	$ 85,167	$ 52,184	$ 30,276

The Indentures governing the terms of Promus' debt contain certain covenants which, among other things, place limitations on Embassy's ability to pay dividends and make other restricted payments, as defined, to Promus. Pursuant to the terms of the most restrictive covenant regarding restricted payments, approximately $539.9 million of Embassy's net assets were not available for payment of dividends to Promus as of December 31, 1993.

Note 15 - Operating Segment Information

Promus is a hospitality company with interests principally in casino entertainment and hotels. The casino entertainment segment consists of operating results of owned casinos and casino hotels. The hotel segment consists of operating results of owned hotels and hotel management and licensing activities. The other segment consists of Promus' risk management division and its investment in a hotel finance company.

	1993	1992	1991
Revenues			
Casino entertainment	$1,015,229	$ 891,104	$ 858,943
Hotel	230,298	218,214	166,991
Other	6,328	3,748	5,178
	$1,251,855	$1,113,066	$1,031,112
Operating income			
Casino entertainment	$ 234,967	$ 186,883	$ 170,963
Hotel	66,541	43,362	32,896
Other	2,712	1,171	(878)
	$ 304,220	$ 231,416	$ 202,981
Identifiable assets			
Casino entertainment	$1,234,377	$1,002,986	$ 943,318
Hotel	429,796	490,535	492,571
Corporate and other	128,945	103,016	101,197
	$1,793,118	$1,596,537	$1,537,086
Capital expenditures			
Casino entertainment	$ 221,094	$ 96,093	$ 45,966
Hotel	22,866	32,081	73,484
Corporate and other	7,237	3,085	2,802
	$ 251,197	$ 131,259	$ 122,252
Depreciation of buildings, riverboats and equipment			
Casino entertainment	$ 54,390	$ 49,039	$ 48,650
Hotel	23,171	20,508	15,188
Corporate and other	3,154	2,158	1,480
	$ 80,715	$ 71,705	$ 65,318

MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS

Promus is responsible for preparing the financial statements and related information appearing in this report. Management believes that the financial statements present fairly its financial position, its results of operations and its cash flows in conformity with generally accepted accounting principles. In preparing its financial statements, Promus is required to include amounts based on estimates and judgments which it believes are reasonable under the circumstances.

Promus maintains accounting and other control systems designed to provide reasonable assurance that financial records are reliable for purposes of preparing financial statements and that assets are properly accounted for and safeguarded. Compliance with these systems and controls is reviewed through a program of audits by an internal auditing staff. Limitations exist in any internal control system, recognizing that the system's cost should not exceed the benefits derived.

The Board of Directors pursues its responsibility for Promus' financial statements through its Audit Committee, which is composed solely of directors who are not Promus officers or employees. The Audit Committee meets from time to time with the independent public accountants, management and the internal auditors. Promus' internal auditors report directly to the Audit Committee pursuant to gaming regulations. The independent public accountants have direct access to the Audit Committee, with and without the presence of management representatives.

/s/ Michael D. Rose	/s/ Michael N. Regan
Michael D. Rose Chairman of the Board and Chief Executive Officer	Michael N. Regan Vice President, Controller and Chief Accounting Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors
of The Promus Companies Incorporated:

We have audited the accompanying consolidated balance sheets of The Promus Companies Incorporated (a Delaware corporation) and subsidiaries (Promus) as of December 31, 1993 and 1992, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of Promus' management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Promus as of December 31, 1993 and 1992 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

/s/ Arthur Andersen & Co.

Memphis, Tennessee,
February 8, 1994.

Quarterly Results of Operations
(Unaudited)
(In thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
1993					
Revenues	$269,207	$316,247	$346,710	$319,691	$1,251,855
Operating income	54,857	75,244	100,671	73,448	304,220
Income before income taxes and minority interests	20,559	39,811	70,207	39,232	169,809
Net income	10,956	22,499	32,935	19,956	86,346
Earnings per share before extraordinary items (1)(2)	0.12	0.22	0.36	0.19	0.89
Earnings per share (1)(2)	0.11	0.22	0.32	0.19	0.84
1992					
Revenues	$257,661	$281,159	$315,781	$258,465	$1,113,066
Operating income	46,087	59,409	82,626	43,294	231,416
Income before income taxes and extraordinary items	9,528	25,491	47,466	5,814	88,299
Net income	5,479	13,910	27,976	5,127	52,492
Earnings per share before extraordinary items (1)(2)	0.05	0.15	0.28	0.03	0.51
Earnings per share (1)(2)	0.05	0.14	0.28	0.05	0.52

(1) The sum of the quarterly per share amounts may not equal the annual amount reported, as per share amounts are computed independently for each quarter while the full year is based on the annual weighted average common and common equivalent shares outstanding.

(2) Retroactively adjusted for stock splits (see Note 3).

Selected Financial Data
(In millions, except per share amounts)

	1993	1992	1991	1990	1989(1)
Revenues	$1,251.9	$1,113.1	$1,031.1	$1,004.2	$944.8
Operating income	304.2	231.4	203.0	193.5	208.5
Income before property transactions, interest expense, income taxes, minority interest and extraordinary items	276.0	212.6	187.4	156.3	159.8
Income before income taxes and minority interest	169.8	88.3	52.2	44.1	154.6
Income before extraordinary items	91.8	51.4	30.0	23.4	-
Net income	86.3	52.5	30.0	23.4	-
Earnings per share(2)					
Before extraordinary items	0.89	0.51	0.33	0.30	-
Net income	0.84	0.52	0.33	0.30	-
Cash dividend per share (2)	-	-	-	10.00	-
Total assets	1,793.1	1,596.5	1,537.1	1,432.8	1,328.7
Long-term debt	839.8	877.4	835.2	903.5	24.7

(1) For years before 1990, the financial statements of Holiday Corporation were disaggregated to present the combined assets, liabilities, revenues and certain expenses of those entities which now comprise Promus as if it had been a separate entity for all years presented. Accordingly, the financial information presented above for fiscal year 1989 is not intended to be a complete presentation of Promus' financial position or results of operations for that year.

(2) Retroactively adjusted for stock splits (see Note 3).

INVESTOR INFORMATION

Stock Listings

The Promus Companies Incorporated common stock trades on the New York Stock Exchange under the ticker symbol PRI. The stock is also listed on the Midwest, Philadelphia and Pacific regional stock exchanges. Daily trading activity in the stock and the stock price may be found in the financial section of major newspapers under "Promus."

STOCK INFORMATION

Quarterly Stock Information
New York Stock Exchange - Common Stock

	Stock Price Per Share*	
1993	High	Low
1st Quarter	25	17 15/32
2nd Quarter	32	22 29/32
3rd Quarter	53 31/32	31 11/32
4th Quarter	55	39

1992	High	Low
1st Quarter	10 21/32	7 11/32
2nd Quarter	10 11/32	8 13/32
3rd Quarter	12 21/32	9
4th Quarter	19	11 29/32

* Retroactively adjusted for stock splits.

The Promus Companies Incorporated

1023 Cherry Road
Memphis, Tennesse 38117

APPENDIX TO MANAGEMENT'S DISCUSSION
AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS ("MD&A")

Page 2 of the MD&A contains a graph entitled "Cash Flows from Operations" showing the following information:

1991 - $111 million cash flow
1992 - $154 million cash flow
1993 - $254 million cash flow

Page 2 of the MD&A contains a graph entitled "Capital Spending by Segment" showing the following information:

1991 - $ 46 million capital spending for Casino Entertainment
$ 73 million capital spending for Hotel
1992 - $ 96 million capital spending for Casino Entertainment
$ 32 million capital spending for Hotel
1993 - $221 million capital spending for Casino Entertainment
$ 23 million capital spending for Hotel

Page 2 of the MD&A contains a graph entitled "Return on Equity" showing the following information:

1991 - 10.4% return on equity
1992 - 13.0% return on equity
1993 - 19.3% return on equity

Page 5 of the MD&A contains a graph entitled "Hotels Added by Year" showing the following information:

Year	Franchised Hotels	Company Owned Hotels
1991	58	9
1992	38	0
1993	52	0

Page 5 of the MD&A contains a graph entitled "Five Year Debt Maturities" showing the following (in millions of dollars):

Year	Approx. Due in 1 Year	Approx. Due in 2 Years	Approx. Due in 3 Years	Approx. Due in 4 Years	Approx. Due in 5 Years
1991	$52	$174	$168	$227	$147
1992	4	152	258	142	102
1993	2	2	2	2	411

Page 5 of the MD&A contains a graph entitled "Cash Interest Paid" showing the following information:

1991	-	$106 million
1992	-	$ 91 million
1993	-	$ 78 million

Page 7 of the MD&A contains a graph entitled "Harrah's Casino Space by State" showing the following information:

1991 -	Nevada	269,100	square feet
	New Jersey	61,400	square feet
1992 -	Nevada	271,900	square feet
	New Jersey	61,200	square feet
1993 -	Nevada	272,500	square feet
	Mississippi	52,100	square feet
	Colorado	27,800	square feet
	New Jersey	64,000	square feet
	Illinois	20,000	square feet

Page 7 of the MD&A contains a graph entitled "Promus Hotels System Revenues" showing the following information:

1991 -	Embassy Suites	$568.3	million
	Hampton Inn	$417.4	million
	Homewood Suites	$ 34.7	million
1992 -	Embassy Suites	$638.0	million
	Hampton Inn	$556.2	million
	Homewood Suites	$ 48.7	million
1993 -	Embassy Suites	$690.3	million
	Hampton Inn	$568.6	million
	Homewood Suites	$ 55.8	million

Page 7 of the MD&A contains a graph entitled "Earnings Before Interest, Taxes, Depreciation and Amortization" showing the following information:

1991	-	$261 million
1992	-	$283 million
1993	-	$355 million

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THE PROMUS COMPANIES INCORPORATED
SUBSIDIARIES

Name	Jurisdiction of Incorporation	Percentage of Ownership	Date of Incorporation
Aster Insurance Ltd.	Bermuda	100%	02/06/90
Embassy Suites, Inc.	Delaware	100%	08/08/83
Buckleigh, Inc.	Delaware	100%	08/24/87
EJP Corporation	Delaware	100%	10/31/91
Suite Life, Inc.	Delaware	100%	07/11/86
Embassy Memphis Corporation	Tennessee	100%	12/03/92
Embassy Pacific Equity Corporation	Delaware	100%	01/24/89
Embassy Suites Canada, Inc.	Canada	100%	07/20/88
Embassy Suites Club No. 1, Inc.	Kansas	100%	01/19/84
Embassy Suites Club No. Two, Inc.	Texas	49%	03/13/84
Embassy Suites De Mexico, S.A., De C.V.	Mexico	96%	08/01/90
Embassy Suites (Isla Verde), Inc.	Delaware	100%	12/21/93
Embassy Suites (Puerto Rico), Inc.	Delaware	100%	05/25/89
Embassy Vacation Resorts, Inc.	Delaware	100%	03/03/94
EPAM Corporation	Delaware	100%	01/24/89
ESI-Air, Inc.	Tennessee	100%	03/11/63
ESI Development, Inc.	Tennessee	100%	12/06/84
ESI Mortgage Development Corporation	Delaware	100%	04/10/89
ESI Mortgage Development Corporation II	Delaware	100%	03/24/92
ESI Equity Development Corporation	Delaware	100%	07/16/85
Embassy Development Corporation	Delaware	100%	08/24/87
Homewood Suites Equity Development Corporation	Delaware	100%	02/18/88
Embassy Equity Development Corporation	Delaware	100%	08/24/87
Embassy Syracuse Development Corporation	Delaware	100%	03/06/91
Southfield Hotel Management, Inc.	Florida	100%	09/10/91
GOL (Heathrow), Inc.	Tennessee	100%	10/27/87
Hampton Inns, Inc.	Delaware	100%	03/23/84
GOL Texas, Inc.	Texas	49%	02/28/89
Harrah's	Nevada	100%	01/21/80
Casino Holding Company	Delaware	100%	07/28/89
Harrah's Atlantic City, Inc.	New Jersey	100%	02/13/79
Harrah's New Jersey, Inc.	New Jersey	100%	09/13/78
Harrah's-Holiday Inns of New Jersey, Inc.	New Jersey	100%	09/19/79
Harrah's Laughlin, Inc.	Nevada	100%	07/10/87
Harrah's Management Company	Nevada	100%	04/07/83
Harrah's Pty. Limited	Australia	100%	04/21/75
Harrah's Reno Holding Company, Inc.	Nevada	100%	02/23/88
Harrah's Club	Nevada	100%	06/07/71
Advertising, Insurance and Resale Corporation	Nevada	100%	06/21/73
Harrah South Shore Corporation	California	100%	10/02/59
Harrah's of Jamaica, Ltd.	Jamaica	100%	07/12/85
Harrah's Alabama Corporation	Nevada	100%	09/09/93
Harrah's Arizona Corporation	Nevada	100%	01/26/93
Harrah's Biloxi Bay, Inc.	Nevada	100%	01/07/93
Harrah's California Corporation	Nevada	100%	02/02/94
Harrah's Colorado Investment Corporation	Nevada	100%	06/23/93
Harrah's Colorado Management Company	Nevada	100%	06/23/93
Harrah's Colorado Standby Corporation	Nevada	100%	11/10/93
Harrah's Connecticut Corporation	Nevada	100%	01/25/94
Harrah's Illinois Corporation	Nevada	100%	12/18/91
Harrah's Indiana Investment Corporation	Nevada	100%	09/09/93
Harrah's Indiana Management Corporation	Nevada	100%	09/09/93
Harrah's Kenner Corporation	Louisiana	100%	01/27/93
Harrah's Las Vegas, Inc.	Nevada	100%	03/21/68
Harrah's Maine Corporation	Nevada	100%	11/12/93
Harrah's Maryland Heights Corporation	Nevada	100%	07/30/93
Harrah's Michigan Corporation	Nevada	100%	06/15/93
Harrah's Minnesota Corporation	Nevada	100%	10/20/92
Harrah's Mississippi Corporation	Nevada	100%	07/13/92
Harrah's New Orleans Investment Company	Nevada	100%	05/21/93
Harrah's New Orleans Management Company	Nevada	100%	05/21/93
Harrah's New Zealand, Inc.	Nevada	100%	02/28/92
Harrah's-North Kansas City Corporation	Nevada	100%	02/23/93
Harrah's Shreveport Investment Company, Inc.	Nevada	100%	04/23/92
Harrah's Shreveport Management Company, Inc.	Nevada	100%	04/23/92
Harrah's Tunica Casino Corporation	Nevada	100%	08/10/92
Harrah's Vicksburg Casino			

Corporation	Nevada	100%	07/13/92
Harrah's Washington Corporation	Nevada	100%	02/03/94
Harrah's Windsor, Inc.	Canada	100%	06/23/93
Sodak Gaming, Inc.	South Dakota	13.8%	
Ziwa Missouri Corporation	Nevada	100%	10/11/93
Pacific Hotels, Inc.	Tennessee	100%	11/03/88
ATM Hotels Pty Limited	Australia*	100%	05/25/90
Tennessee Restaurant Company	Delaware	33.2%	10/31/85
Perkins Restaurants, Inc.	Minnesota	100%	02/19/66

* 50% Pacific Hotels, Inc., 50% Embassy Suites, Inc.