

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

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, 1994

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 \$0.10 per share*	NEW YORK STOCK EXCHANGE MIDWEST STOCK EXCHANGE PACIFIC STOCK EXCHANGE PHILADELPHIA STOCK EXCHANGE
11% Subordinated Debentures due 1999 of Embassy Suites, Inc.**	NEW YORK STOCK EXCHANGE
10 7/8% Senior Subordinated Notes due 2002 of Embassy Suites, Inc.**	NEW YORK STOCK EXCHANGE

* 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 \$34.00 for the Common Stock as reported on the New York Stock Exchange Composite Tape on January 31, 1995, is \$3,392,359,792.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of January 31, 1995.

Common Stock 102,463,487 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement (the "Proxy Statement") to be filed for the 1995 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

ITEMS 1 AND 2. BUSINESS AND PROPERTIES.

The Promus Companies Incorporated (referred to herein, together with its subsidiaries where the context requires, as the "Company" or "Promus") is one of the leading casino entertainment and hotel companies in the United States. Its Harrah's casino entertainment division operates fifteen casino properties and has additional casino locations under development, including two under construction. The Company's hotel division operates the Embassy Suites, Hampton Inn and Homewood Suites hotel brands. A new brand, Hampton Inn & Suites, is under development.

Promus was incorporated on November 2, 1989 under Delaware law and conducts its casino entertainment and hotel 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.

Operating data for the three most recent fiscal years, together with corporate expense, interest expense and other income, is set forth on page 52 herein. Information regarding mortgages on properties of the Company is set forth on pages 61 through 65 herein.

For information on operating results and a discussion of those results, see "Management's Discussion and Analysis--Results of Operations" on pages 40 through 44 herein and the consolidated financial statements herein.

SPIN-OFF OF HOTEL BUSINESS

In January 1995 the Company announced a planned spin-off that will split the Company into two independent public corporations, one for conducting its casino entertainment business and one for conducting its hotel business. The transaction is structured to be tax-free, with stockholders currently anticipated to receive one share of the new hotel company for each two shares of Promus. Each Promus stockholder will retain the shares owned in Promus, which is expected to be renamed Harrah's Entertainment, Inc. when the spin-off is consummated. Both companies are expected to trade on the New York Stock Exchange.

The spin-off is subject to a number of conditions, including regulatory and other third party approvals, including bondholders and bank lenders, a legal opinion as to the tax-free status of the transaction, market conditions, final approval of the board of directors and stockholder approval. It is expected that the spin-off will be completed by the end of second quarter 1995.

CASINO ENTERTAINMENT

GENERAL

Harrah's, an indirect wholly-owned subsidiary of the Company, has been in operation for more than 57 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, Shreveport, Louisiana and North Kansas City, Missouri; limited stakes casinos in Central City and Black Hawk, Colorado; and a casino on an Indian reservation near Phoenix, Arizona. As of December 31, 1994, Harrah's operated a total of approximately 521,400 square feet of casino space, 14,808 slot machines, 789 table games, 5,367 hotel rooms or suites, approximately 76,000 square feet of convention space, 51 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 of quality and service.

HARRAH'S CASINO HOTEL DIVISION

ATLANTIC CITY

The Harrah's Atlantic City casino hotel ("Harrah's Atlantic City") is situated on 21.4 acres in the Marina area of Atlantic City and has approximately 65,700 square feet of casino space. It consists of dual 16-story hotel towers with 288 suites and 492 regular rooms and adjoining low rise buildings which house the casino space and the 23,000 square foot convention center. The facilities include eight restaurants, an 850-seat showroom, a pool, health club, teen center with video games, child care facilities and parking for 2,482 cars. The property also has a 107-slip marina. Occupancy at the hotel has averaged 86.6% for the past three years. During 1994, it had the highest gaming revenues and operating profit of the Company's casinos.

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's primary feeder 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, a 23-floor hotel tower, a 32-floor hotel tower, 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 3,012 parking spaces available, including a substantial portion in a self-park garage. Occupancy at the hotel has averaged 93.5% for the past three years.

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 800-seat South Shore Showroom, a health club, retail shops, a heated pool and an arcade. The facility has customer parking for 854 cars in a garage and 1,098 additional spaces in an adjoining lot. Occupancy at the hotel has averaged 80.1% for the past three years.

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.

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 58,300 square feet of casino space. The hotel, with seven suites and 558 rooms, has seven restaurants, the 420-seat Sammy's Showroom, a pool, a health club and an arcade. In October 1994, a Planet Hollywood restaurant and lounge, operated by a non-affiliated company, opened at Harrah's Reno. 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 87.4% for the past three years. The Company commenced construction in December 1994 on a 408-room 26-story Hampton Inn hotel adjacent to Harrah's Reno,

which will provide an additional supply of high-quality, moderately-priced guest rooms. The hotel is expected to open in fourth quarter 1995 or January 1996 and will be operated by Harrah's as a franchisee after the planned spin-off of the Company's hotel business.

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 84.4% for the last three years. The casino's primary feeder market is the Los Angeles and Phoenix metropolitan areas where a combined total of approximately 15 million people reside.

CENTRAL CITY AND BLACK HAWK

The Company owns an approximate 17 percent interest in Eagle Gaming, L.P. ("Eagle"). Eagle owns casinos in Central City and Black Hawk, Colorado, that Harrah's manages for a fee. Both of the casinos are approximately 45 minutes from downtown Denver.

Harrah's Central City has approximately 40,000 square feet of total space 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 11 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 46,000 square feet of total space on three levels and is decorated in Victorian design reminiscent of the gold rush days in the late 1800's. The casino has approximately 16,100 square feet of casino space, 530 slot machines, 13 table games, a restaurant and a gift shop.

Both of these casinos offer limited stakes gaming pursuant to Colorado law.

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 operation, is located in downtown Joliet, Illinois, on the Des Plaines River. The facilities include two riverboats. The Harrah's Northern Star, a modern 210-foot mega-yacht, has 17,000 square feet of casino space with 31 table games and 481 slot machines. This riverboat, which has three levels, has the capacity to accommodate approximately 825 guests per cruise. It offers six cruises per day. In January 1994, a second riverboat casino, the 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 20,000 square feet of casino space. The tri-level riverboat features a snack bar and lounge on its third level, has 481 slot machines, 28 table games, and can accommodate up to 825 guests per cruise. It offers seven cruises per day, with an additional eighth cruise on Fridays, Saturdays and holidays. With both riverboats in operation on a typical weekday, Harrah's can serve 10,725 customers based on a combined total of 13 excursions. 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.

A partnership, 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 partnership. Both of the Joliet riverboat businesses are owned by the partnership 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 30 miles from downtown Chicago.

TUNICA

Harrah's Tunica is a dockside riverboat casino located in Tunica, Mississippi, approximately 30 miles south of downtown Memphis, Tennessee. The stationary riverboat, with a classic antebellum design, has 27,000 square feet of casino space on two levels, with 926 slot machines, 46 table games and an entertainment lounge. On the third level there is approximately 8,000 square feet for conventions, meetings and special events. Adjacent to the riverboat casino is a 30,000 square foot pavilion that houses a 220 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 17% 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 under long term lease with options to purchase.

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

VICKSBURG

Harrah's Vicksburg is the Company's 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 14,300 square feet of casino space, 550 slot machines and 37 table games. The casino is docked next to the Company's shoreside entertainment complex which features a buffet, a restaurant/lounge, a retail outlet and meeting rooms/convention area. 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 839 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.

SHREVEPORT

In April 1994, the Company opened its dockside riverboat casino in downtown Shreveport, Louisiana. The facilities included a stationary 210-foot long 19th-century design paddlewheeler riverboat with 19,500 square feet of casino space, 728 slot machines and 40 table games at year end. The riverboat accommodates 1,200 guests and has three levels, one of which is a no-smoking floor. In February 1995, the Company replaced the riverboat in Shreveport with a 254-foot long 19th-century design paddlewheeler riverboat, resulting in approximately 27% more gaming positions at the Shreveport facility. The new riverboat, the ShreveStar, has 30,000 square feet of gaming space with 928 slot machines and 55 table games. A 40,000 square foot pavilion adjoins the casino on the banks of the Red River and includes a 4,100 square foot area for private parties and group functions, a full service restaurant, a food court area and retail offerings. The facilities also include a scenic riverwalk along the river.

The casino is owned by a partnership in which an indirect subsidiary of the Company is the 99% general partner.

The primary feeder markets for the casino are northeastern Louisiana, east Texas and the Dallas/Ft. Worth metropolitan area.

NORTH KANSAS CITY

The Company opened a riverboat casino in North Kansas City, Missouri, in September 1994. The facilities include a 295-foot long classic sternwheeler designed stationary riverboat with approximately 31,600 square feet of casino space. At opening, the casino contained certain types of casino games and poker machines allowed by Missouri law. On November 8, 1994, the passage of a statewide referendum in Missouri permitted the addition of traditional reel-type slot machines and other games of chance ("Referendum"). In December 1994, the Company began reconfiguration of the casino space on the riverboat which resulted in 920 slot machines and 82 table games. Shoreside facilities include a 55,000 square foot pavilion that houses three restaurants, a meeting room, employee facilities and administrative offices. On-site parking is available for 1,800 cars. The riverboat casino is owned and operated by the Company.

The casino's primary feeder market is the Kansas City metropolitan area.

UNDER DEVELOPMENT

ST. LOUIS--RIVERPORT

The development by the Company of a riverboat casino project along the Missouri River in Maryland Heights, Missouri, in northwest St. Louis County, 16 miles from downtown St. Louis, was postponed in 1994, pending the results of the Referendum. The Company intends to proceed with the project, which is currently being redesigned. The Company's current net investment in this project is \$39 million. In March 1995, the Company signed a preliminary agreement with Players International, Inc. under which each company will develop and operate its own separately branded riverboat casino in Maryland Heights with jointly developed shoreside facilities. Construction and opening of the project is subject to various regulatory and other necessary approvals.

INDIAN GAMING DIVISION

AK-CHIN

In December 1994, Harrah's Phoenix Ak-Chin casino opened on the Maricopa Indian Reservation, approximately 25 miles south of Phoenix, Arizona. The casino includes 32,000 square feet of casino space with 475 slot machines, 40 gaming tables, bingo, keno, a restaurant, an entertainment lounge, meeting rooms and a retail shop. The complex has customer parking for approximately 1,000 cars and has valet parking available. Harrah's manages the casino for a fee under a management contract that has a five year term.

The Company has guaranteed repayment of bank financing equal to 100 percent of the project cost of \$26.4 million for the Ak-Chin facility, and Sodak Gaming, Inc. ("Sodak") has provided a guarantee to Promus for one-half of this financing.

The primary feeder markets for the casino are Phoenix and Tucson.

SODAK GAMING, INC.

The Company owns a 13.8% ownership interest in Sodak. Sodak is a leading distributor of electronic gaming machines and gaming-related products and systems. Under terms of an agreement with International Game Technology ("IGT") expiring on May 5, 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. This distribution agreement continues from year to year after May 5, 1998, until it is cancelled. Sodak also has an international distributorship agreement with IGT for gaming equipment.

PROPOSED DEVELOPMENTS

The Company has entered into management and development agreements with two Indian communities in Washington state and California in connection with the proposed development of casino entertainment facilities on lands owned by the respective tribes. These agreements are subject to approval by the National Indian Gaming Commission (the "NIGC"). Development of the casino facilities, which would be managed by the Company for a fee, will not commence until NIGC approval and other required approvals are received. The Company expects the proposed projects will be financed by bank loans that would be guaranteed by the Company.

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 one of three partners in a partnership named Harrah's Jazz Company ("Harrah's Jazz"). Harrah's Jazz is constructing and plans to open a new 400,000 square foot facility called "Harrah's Casino New Orleans" on the site of the former 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 commenced development in November 1994 on 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 second quarter 1995, and the Permanent Casino is expected to open in second quarter 1996. (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. A casino operating contract, or license, from the State of Louisiana has been executed.

The total project cost is expected to be \$815 million, which is being funded through a combination of partner equity contributions, public debt securities, cash flow from the Temporary Casino, and bank debt. Financing for the New Orleans Gaming Facilities was completed in November 1994 and included the issuance by Harrah's Jazz of \$435 million of 14.25% First Mortgage Notes due 2001 (the Public Debt), and the closing of bank credit facilities providing up to \$175 million in borrowing capacity to Harrah's Jazz. Harrah's Investment has made total capital contributions to this project of approximately \$90 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, the Company has guaranteed the completion of the New Orleans Gaming Facilities, subject to certain exceptions and qualifications.

Harrah's Investment presently owns approximately 53% of Harrah's Jazz. One of the other partners of Harrah's Jazz, which presently owns approximately 13.7% of Harrah's Jazz, has the option to acquire from Harrah's Investment an additional interest in Harrah's Jazz of approximately 14.6%. This option may be exercised at any time until 120 days after the opening of the Temporary Casino for a purchase price of \$33.3 million. If the option is exercised, Harrah's Investment's interest in Harrah's Jazz would decrease to approximately 38.3%.

The debt of the Partnership is presently considered debt of the Company and its subsidiaries for purposes of the Company's public debt indentures, unless and until the Company's ownership interest is reduced to 50% or less pursuant to the exercise of the options discussed above or otherwise. However, since the Company's ownership of a majority interest in the Partnership is expected to be temporary and voting control of the Partnership in any event continues to be shared equally by each partner during the

option period, the Partnership is not consolidated into the Company's financial statements for accounting purposes.

The New Orleans project is the subject of several legal proceedings that could delay or otherwise adversely affect the project. In one state court proceeding filed in 1993, the plaintiffs asserted, among other things, an ownership interest in certain land underlying the Rivergate site and also sought permanent injunctive relief prohibiting the use of such land for the Casino. Although the plaintiffs' claims were dismissed by the trial court on summary judgment in 1994, the plaintiffs appealed such decision. On February 23, 1995, the state appellate court affirmed the trial court's ruling that the plaintiff did not have an ownership interest in such land underlying the Rivergate site and remanded the case to the trial court to determine whether the plaintiff has standing to assert other claims regarding the use of the site. Both parties have the right to appeal the appellate court's decision by filing a petition for a writ of certiorari to the Louisiana Supreme Court.

In a second state court proceeding filed in 1994, the plaintiffs challenged the validity of ordinances authorizing amendments to the Company's lease of the Rivergate site. A successful challenge of these ordinances could call into question the validity of the lease of the Rivergate site.

In a third legal proceeding filed in federal court in 1994, the court enjoined the Company in January 1995 from removing a statue or converting a plaza situated adjacent to the Casino and in which the statue is located without approval of the United States Secretary of the Interior. If the Company is unable to successfully appeal the court's ruling or obtain such approval, the Company will be required to redesign portions of the Casino since current design plans for the Casino contemplate locating the main access areas for the Casino in the area currently in use as the plaza. A redesign will require the approval of certain state and local governmental agencies.

NEW ZEALAND

The Company and its venture partner have been granted licenses 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 \$30.5 million in the joint venture. The proposed facility will feature 50,000 square feet of casino space, a 344-room hotel, six restaurants, a showroom, a conference center, bus terminal, and parking in garages for 2,770 cars. A special attraction of the facility will be a 1,076-foot Sky Tower. Construction of the project, currently budgeted at \$331 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 land-based, 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 a discussion of the planned spin-off of the Hotel Business, please refer to "Spin-off of Hotel Business" under Items 1 and 2 above.

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, which is under development.

Embassy Suites hotels, of which there were 107 on December 31, 1994, 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 upscale all-suite 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 437 hotels as of December 31, 1994.

Homewood Suites hotels, of which there were 26 on December 31, 1994, 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 within one property.

As of December 31, 1994, the Company's hotel brands included 468 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 approximately 78,600 rooms and suites.

All of the Company's hotel brands are managed by a common senior management team.

The Company pursues a strategy of growing its hotel brands 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 typically are operated either by the Company under a management contract or by the purchaser under license from the Company.

Each of the Company's hotel brands uses a centralized business system, which includes access to reservation services, performance support or training, operations and marketing 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 property management system, which has been developed and is being placed into service.

Each of the Company's hotel brands offers an unconditional money-back guarantee of service satisfaction. All of the Company's hotel brands offer suites/rooms exclusively for non-smoking guests.

EMBASSY SUITES 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 1991.....	42	9,806	15	3,450	44	11,452
1992 Activity:						
Additions.....	2	685	-	-	-	(3)
Transfers, 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)
Transfers, net (a).....	3	900	(6)	(1,423)	3	523
Sales/Terminations.....	(1)	(196)	-	-	-	-
Fiscal Year-End 1993.....	52	12,354	9	2,027	46	11,748
1994 Activity:						
Additions.....	1	177	-	-	2	410
Transfers, net (a).....	-	(15)	-	(2)	-	15
Sales/Terminations.....	(2)	(760)	-	-	(1)	(239)
Fiscal Year-End 1994.....	51	11,756	9(b)	2,025	47(c)	11,934

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- (a) Transfers of properties among licensed, managed and owned categories.
- (b) 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.)
- (c) Includes 45 hotels that are also licensed to third parties.

On December 31, 1994, eight Embassy Suites hotels were under construction, all of which will be licensee-operated.

Embassy Suites hotels are located in 33 states and the District of Columbia in the United States and two hotels are located in Canada. One hotel is under construction in each of the following countries: Thailand, Columbia and Mexico. Embassy Suites hotels range in size between 102 and 413 suites. Each guest suite has a separate living room and dining/work area, with a 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 a landscaped lobby. All hotels offer free breakfast and complimentary evening cocktails (where local law allows).

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
1994.....	74.9%	\$97.28	\$ 72.86
1993.....	73.0%	\$93.91	\$ 68.58
1992.....	71.7%	\$90.97	\$ 65.26

HAMPTON INN HOTELS

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 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	39,153	15	2,048	24	2,961
1994 Activity:						
Additions.....	67	6,149	-	-	-	-
Terminations.....	(1)	(118)	-	(1)	(1)	(121)
Fiscal Year-End 1994.....	399(a)	45,184	15	2,047	23(b)	2,840

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

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

On December 31, 1994, 67 Hampton Inn hotels, including three Hampton Inn & Suites properties, were under construction, all of which will be licensee-operated.

Hampton Inn hotels are currently located in 43 states in the United States and one hotel is in each of the following countries: Canada, Mexico and Costa Rica. There is one additional hotel under construction in Mexico and one in Thailand. An average Hampton Inn hotel has from 80 to 150 rooms. The Hampton Inn hotel's standardized concept provides a guest room featuring a remote control 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.

Hampton Inns also has a modified lodging property for use in communities supporting hotels of fewer than 90 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 80 of these modified design hotels open and 43 currently under construction.

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
1994.....	74.3%	\$ 53.46	\$39.74
1993.....	73.0%	\$ 50.81	\$37.10
1992.....	71.2%	\$ 48.91	\$34.82

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 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 in second quarter 1995.

HOMEWOOD SUITES HOTELS

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 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
1994 Activity:				
Additions.....	2	155	-	-
	--	-----	--	-----
Fiscal Year-End 1994.....	18	1,949	8	932
	--	-----	--	-----

On December 31, 1994, four Homewood Suites hotels were under construction, three of which will be licensee operated and one will be company-owned.

Homewood Suites hotels are currently located in 17 states and hotels are under construction in one additional state. Homewood Suites hotels feature residential-style accommodations, which include a living room area (some with fireplaces), separate bedroom, bath and a fully-equipped kitchen. The buildings that contain the hotel suites, 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 an expanded complimentary continental 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 are currently two modified prototype hotels under construction, both of which will be licensee operated.

In May 1994, the Company announced plans for a major expansion of the Homewood Suites brand involving the financing and construction of 20 to 25 company-owned Homewood Suites hotels during the next three years.

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
1994.....	78.1%	\$76.38	\$ 59.67
1993.....	75.8%	\$72.47	\$ 54.91
1992.....	71.9%	\$69.65	\$ 50.10

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 are based on a percentage 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 ten to 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.

OTHER

STATION SQUARE-PITTSBURGH, PENNSYLVANIA

In August 1994, a general partnership in which the Company is a 75% partner acquired an entertainment, business and retail center known as Station Square in Pittsburgh, Pennsylvania. The approximately 52-acre Station Square site includes approximately 25 acres of land available for development and extends along the Monongahela River, across from the Golden Triangle of Pittsburgh. At closing, the Company provided approximately \$23.5 million to the partnership in the form of a capital contribution. If casino gaming is legalized in this jurisdiction, the partnership plans to pursue development of a casino entertainment facility at the Station Square site.

AUDUBON WOODS BUSINESS CAMPUS

In January 1995, the Company acquired property in Memphis, Tennessee known as the Audubon Woods Business Campus for a purchase price of \$21.7 million. This office complex consists of four office buildings containing approximately 360,000 square feet of office space and is located on approximately 31 acres of land.

TRADEMARKS

The following trademarks used herein are owned by the Company: Promus(R); Harrah's(R); Bill's(R); Embassy Suites(R); Hampton Inn(R); Hampton Inn & Suitesm; Homewood Suites(R); Harrah's Northern Starsm; Harrah's Southern Starsm; ShreveStarsm; and Harrah's Jazz Companysm. 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.

COMPETITION

CASINO ENTERTAINMENT

Harrah's is the casino industry's only true national casino brand. As the operator of land-based, dockside, riverboat, Indian and limited stakes casino facilities in all of the traditional, and many of the new, U.S. casino entertainment jurisdictions, 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 resorts and vacation areas, and with various other casino gaming businesses. The casino gaming business is characterized by competitors which vary considerably by their size, number of operations, growth strategies and concentration on new jurisdictions and new types of casino gaming. In certain areas such as Las Vegas, Harrah's competes with a wide range of casinos, some of which are significantly larger and newer and offer substantially more non-gaming activities to attract customers.

In most markets, Harrah's competes directly with other casino facilities operating in the immediate market area. In major casino destinations, such as Las Vegas, Atlantic City and, in all likelihood, New Orleans, Harrah's faces, or will face, competition from other markets in addition to direct competition in the immediate market area.

Harrah's believes it is well positioned to take advantage of the recent trend of proliferation of jurisdictions which allow casino gaming, positive consumer acceptance of casino gaming as an entertainment activity, and increased visitation to casino facilities. However, this trend presents competitive issues for Harrah's and as casino gaming proliferates, competition among different markets could intensify. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Effects of Current Economic and Political Conditions."

HOTELS

Intense competition among many chains exists for hotel guests as well as in the sale of hotel franchises and in obtaining management contracts. The Company's 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 continued improvement in 1994. With improving occupancies, and modest growth in average daily rate, revenue per available room in the industry improved over 6% in 1994 based on data provided by the major firm that tracks hotel statistics.

In 1994 all of the Company's hotel brands outperformed their respective competitive segment in revenue per available room/suite (RevPAR/S).

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 ordinances and 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) providing 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 a Registered 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. Promus may not sell or transfer beneficial ownership of any of Embassy's voting securities without prior approval of the Nevada Commission.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, Promus, Embassy 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 and Embassy 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, Embassy or the Gaming Subsidiaries, the companies involved would have to sever all relationships with such person. In addition, the Nevada Commission may require Promus, Embassy 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, Embassy 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, Embassy 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, Embassy 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 instead, it has been required by the Nevada Commission to maintain its stock ledgers in its executive offices in Memphis, Tennessee which may be examined by the Nevada Board at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. 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 and Embassy may not make a public offering of their 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. On April 21, 1994, the Nevada Commission granted Promus and Embassy prior approval to make offerings for a period of one year, subject to certain conditions ("Shelf Approval"). The Shelf Approval 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 offered. 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 Registered Corporation 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 Registered Corporation'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 Gaming Subsidiaries' 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 April 1994, 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.

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, 1994, the tax schedule for the gaming year (October 1, 1994 to September 30, 1995) is as follows:

ADJUSTED GROSS PROCEEDS	PERCENTAGE TAX
Up to \$2,000,000.....	2%
\$2,000,001 to \$4,000,000.....	8%
\$4,000,001 to \$5,000,000.....	15%
\$5,000,001 and over.....	18%

For the same gaming year, the State gaming device fee is Seventy-Five Dollars (\$75) 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 One Thousand Two Hundred Sixty-Five Dollars (\$1,265) per device per year. In Black Hawk, Seven Hundred Fifty Dollars (\$750) per device per year is the current device fee.

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

GAMING--LOUISIANA (NEW ORLEANS)

An indirect subsidiary of Promus owns an approximate 53% interest in Harrah's Jazz Company, the partnership which has the contract (the "Casino Operating Contract") with the Louisiana Economic Development and Gaming Corporation (the "LEDGC") to operate the sole land-based casino (the "Gaming Facilities") in Louisiana. Under the Casino Operating Contract, Harrah's Jazz Company (the "Casino Operator") has the authority to engage a separate indirect subsidiary of Promus, Harrah's New Orleans Management Company (the "Casino Manager"), to manage the Gaming Facilities. The ownership and operation of the Gaming Facilities are subject to pervasive governmental regulation, including regulation by the LEDGC in accordance with the terms of the Louisiana Economic Development and Gaming Corporation Law (the "Gaming Act"), the rules and regulations promulgated thereunder from time to time, and the Casino Operating Contract.

The LEDGC. The Gaming Act established the LEDGC as a special public purpose corporation to regulate land-based gaming in Louisiana. The Gaming Act provides that the LEDGC is not a state agency except as specifically provided therein, and none of its obligations is subject to or backed by the

full faith and credit of the State of Louisiana. The affairs of the LEDGC are supervised by a nine member board of directors appointed by the governor and confirmed by the Louisiana Senate.

LEDGC's Authority to Enter Into Casino Operating Contract. The Casino Operating Contract was entered into by the LEDGC pursuant to authority granted under the Gaming Act. Under the Casino Operating Contract, the Casino Operator can conduct gaming operations at a single official land-based gaming establishment located at the site of the Rivergate Convention Center. The term of the Casino Operating Contract is 20 years with one 10 year renewal option. Under the Casino Operating Contract, the Casino Operator is required to pay the LEDGC an initial payment of \$125 million (the "Initial Payment") in installments. \$5 million of the Initial Payment has been paid. The last installment of \$120 million is due within 10 days after the opening date of the Temporary Casino. In addition to the Initial Payment, the Casino Operating Contract requires the Casino Operator to pay to the LEDGC a share of annual gross gaming revenues from the Permanent Casino equal to the greater of (a) \$100 million or (b) a percentage of annual gross gaming revenue as follows:

- (i) 19% of gross gaming revenue up to and including \$600 million; plus
- (ii) 20% of gross gaming revenue in excess of \$600 million up to and including \$700 million; plus
- (iii) 22% of gross gaming revenue in excess of \$700 million up to and including \$800 million; plus
- (iv) 24% of gross gaming revenue in excess of \$800 million up to and including \$900 million; plus
- (v) 25% of gross gaming revenue in excess of \$900 million.

Under the Gaming Act, the gaming activities that may be conducted, subject to the rule-making authority of the LEDGC, include any banking or percentage game that is played with cards, dice or any electronic, electrical or mechanical device or machine for money, property or any thing of value, but exclude lottery, bingo, charitable games, raffles, electronic video bingo, pull tabs, cable television bingo, wagering on dog or horse races, sports betting or wagering on any type of sports contest or event. The Gaming Act provides that the LEDGC shall adopt rules for the conduct of specific games and gaming operations, including the types of games to be conducted and the granting of credit to a patron.

The Gaming Act provides that the LEDGC is authorized to permit the casino operator to conduct limited temporary gaming operations in Orleans Parish at a location designated by the casino operator and approved by the LEDGC. The compensation payable to the LEDGC from gaming operations at the Temporary Casino is 25% of gross gaming revenues with the remainder to the Casino Operator, the net proceeds therefrom after deducting operating expenses to be used to perform and complete the obligations of the Casino Operator as contained in the Casino Operating Contract. The Gaming Act requires that gaming operations at the Temporary Casino cease upon the commencement of gaming operations at the Permanent Casino.

The Gaming Act requires the casino operator to agree to maintain its suitability at all times during the existence of the casino operating contract. The Gaming Act provides that the LEDGC has the right but is not required to set aside or renegotiate the provisions of the casino operating contract if the casino operator is voluntarily or involuntarily placed in bankruptcy, receivership, conservatorship or similar status.

Regulations. Under the Gaming Act, the LEDGC has broad discretionary authority to regulate all aspects of the casino operator's operations, including the power to adopt administrative rules and regulations as may be necessary to carry out and implement its powers and duties, the conduct of gaming operations, and any other matters necessary or desirable for the efficient and effective operation of casino gaming or public convenience. The Gaming Act gives the LEDGC the power, among other things, to (i) investigate the qualifications of the gaming operator and each applicant for a license or permit, (ii) investigate violations of the Gaming Act and any rules and regulations promulgated thereunder, and any other incidents or transactions which it deems appropriate, (iii) conduct hearings

and proceedings concerning, and review and inspections of, gaming operations and related activities, (iv) inspect and examine all premises, and all equipment or supplies thereon, where gaming activities are conducted or gaming devices or equipment are manufactured, sold, or distributed, and summarily seize and remove from such premises and impound any equipment or supplies for the purpose of examination and inspection, (v) audit the records of applicants and gaming operators respecting all revenues produced by any gaming operations, (vi) issue interrogatories and subpoenas, and (vii) monitor the conduct of all casino operators, licensees, permittees and other persons having a material involvement directly or indirectly with a casino operator.

The Rules and Regulations currently in effect address administrative matters, applications, licensing, permitting and suitability; vendor and junket representative licensing and registration; and minority participation. Additional rules and regulations addressing numerous other matters within the scope of its authority are being finalized.

Issuance of Licenses and Permits. Under the Gaming Act, the LEDGC is required to issue licenses or permits to certain persons associated with gaming operations, including: (i) certain employees of the casino operator, (ii) certain manufacturers, distributors and suppliers of gaming devices; (iii) certain suppliers of goods or services; (iv) any person who furnishes services or property to the casino operator under an arrangement pursuant to which the person receives payments based on earnings, profits or receipts from gaming operations; and (v) any other persons deemed necessary by the LEDGC.

The securing of the requisite licenses and permits under the Gaming Act is a prerequisite for conducting, operating or performing any activity regulated by the LEDGC or the Gaming Act. The Gaming Act provides that the LEDGC has full and absolute power to deny an application, or to limit, condition, restrict, revoke or suspend any license, permit or approval, or to fine any person licensed, permitted or approved for any cause specified in the Gaming Act or rules promulgated by the LEDGC. The Rules and Regulations provide that the LEDGC may take any of the foregoing actions with respect to any person licensed, permitted, or approved, or any person registered, found suitable, or holding a contract, for any cause deemed reasonable.

The Gaming Act provides that it is the express intent, desire and policy of the legislature that no holder of the casino operating contract, applicant for a license, permit, contract or other thing existing, issue or let as a result of the Gaming Act shall have any right or action to obtain any license, permit, contract or the granting of the approval sought except as provided for and authorized by the Gaming Act. Any license, permit, contract, approval or thing obtained or issued pursuant to the provisions of the Gaming Act has been expressly declared by the legislature to be a pure and absolute revocable privilege and not a right, property or otherwise, under the constitutions of the United States or of the State of Louisiana. The Gaming Act also provides that no holder acquires any vested right therein or thereunder.

Suitability. Under the Gaming Act, no person is eligible to receive a license or enter into a contract to conduct casino gaming operations unless, among other things, the LEDGC is satisfied the applicant is suitable. Suitability requires a demonstration by each applicant, by clear and convincing evidence, that, among other things, (i) he is a person of good character, honesty and integrity; (ii) his prior activities, criminal record, if any, reputation, habits and associations do not pose a threat to the public interest of the State or the regulation and control of casino gaming or create or enhance the dangers of unsuitable, unfair or illegal practices, methods and activities in the conduct of gaming or the carrying on of the business and financial arrangements incidental thereto; and (iii) he is capable of and is likely to conduct the activities for which a license or contract is sought. In addition, to be found suitable for purposes of the casino operating contract, the casino operator must demonstrate by clear and convincing evidence that: (a) it has or guarantees acquisition of adequate business competence and experience in the operation of casino gaming operations; (b) the proposed financing is adequate for the proposed operation and is from suitable sources; and (c) it has or is capable of and guarantees the obtaining of a bond or satisfactory financial guarantee of sufficient amount, as determined by the

LEDGC, to guarantee successful completion of and compliance with the casino operating contract or such other projects which are regulated by the LEDGC. The Rules and Regulations provide that an applicant shall release all claims and accept any risk of adverse publicity, embarrassment, criticism, or other action, or financial loss which may result or occur from action with respect to an application and expressly waive any claim for damages as a result thereof.

Under the Gaming Act, the LEDGC may not award the casino operating contract or a license to a person disqualified on the basis of any of the following criteria: (i) failures of the applicant to prove suitability in accordance with the provisions of the Gaming Act; (ii) failure of the applicant to provide information and documentation material to a suitability determination, or providing untrue or misleading material information pertaining to the qualification criteria; (iii) conviction of, or plea of guilty or nolo contendere by, or current prosecution of, or pending charges in any jurisdiction against, the applicant, or of any person required to be qualified under the Gaming Act as a condition for a contract, for an offense punishable by imprisonment for more than one year; (iv) if the applicant is a corporation that is owned by a parent or other corporation or person, then the applicant shall be disqualified if any person owning more than 5% of the common stock of the parent corporation has been convicted of, or pled guilty or nolo contendere to, a felony offense; or (v) if the applicant is a corporation or other entity of which any individual holding 5% or more interest in the profits or loss has been convicted of, or pled guilty or nolo contendere to, an offense that at the time of conviction is punishable as a felony. The Rules and Regulations further provide that a license or contract shall not be granted to an applicant that has been found unsuitable or has been denied a gaming license or permit or has had a gaming license or permit suspended or revoked in another gaming jurisdiction, unless the LEDGC determines that such action is not contrary to the interest of the State. The Rules and Regulations provide that no person shall knowingly be or remain employed by the casino operator, nor shall they be licensed or receive a permit, if they are not current in filing all applicable tax returns and in the payment of all taxes, interest and penalties owed to the State of Louisiana and the Internal Revenue Service, with certain exceptions.

The Rules and Regulations provide that the LEDGC may deny, revoke, suspend, limit, condition, or restrict any finding of suitability or application therefor upon the same grounds as it may take such action with respect to licensees and permittees, without exclusion of any other grounds. The Rules and Regulations provide that the LEDGC may further take such action on the grounds that the registrant or person found suitable is associated with, or is controlled by, or is under common control with, an unsuitable or disqualified person. The Rules and Regulations also provide that the LEDGC has full and absolute authority to deny the application, or to limit, condition or restrict any license, contract or finding of suitability.

The LEDGC can find that the holder of any equity interest in, or debt securities issued by, the casino operator or its affiliated companies, must be found suitable to own such interest or securities. The Gaming Act provides that every person that has or controls more than a 5% ownership, income or profit interest in an entity that has or applies for a contract in accordance with the provisions of the Gaming Act or has the ability, in the opinion of the LEDGC, to exercise significant influence over the activities of the casino operator, must meet all suitability requirements and qualifications for licensees. The Gaming Act provides that the LEDGC may also issue, under penalty of revocation of a license, a condition of disqualification naming the person or persons and declaring that such person or persons may not: (i) receive dividends or interest on securities of the casino operator; (ii) exercise directly or indirectly, including through a trustee or nominee, a right conferred by securities of the casino operator; (iii) receive remuneration from the casino operator; (iv) receive any economic benefit from the casino operator; or (v) continue in an ownership or economic interest in a casino gaming operation contract or remain as a manager, officer, director or partner of the casino operator (collectively, "Ownership Benefits").

Under the Rules and Regulations, if at any time the LEDGC finds that any person required to be and remain suitable has failed to demonstrate suitability, the LEDGC may, consistent with the Gaming Act and the casino operating contract, take any action that the LEDGC deems necessary to protect the public interest. The Rules and Regulations provide, however, that if a person associated with the casino operator or an affiliate, intermediary, or holding company thereof has failed to be found or remain suitable, the LEDGC shall not declare the casino operator or its affiliate, intermediary, or holding company, as the case may be, unsuitable as a result if such companies comply with the conditional licensing provisions, take immediate good faith action and comply with any order of the LEDGC to cause such person to dispose of its interest, and, before such disposition, ensure that the disqualified person does not receive any Ownership Benefits. The above safe harbor protections do not apply if: (i) the casino manager has failed to remain suitable, (ii) the casino operator engaged in a relationship with the unsuitable person and had actual or constructive knowledge of the wrongdoing causing the LEDGC's action, (iii) the casino operator is so tainted by such person that it affects the suitability standards contained in the Gaming Act and the Rules and Regulations.

The Gaming Act provides that every person who is required to be found suitable has a continuing duty to maintain his suitability. The casino operator and all licensees, permittees, registrants and persons required to be qualified under the Gaming Act have a continuing duty to inform the LEDGC of any action that they believe would constitute a violation of the Gaming Act.

Transfers. The sale, transfer, assignment, or alienation of a casino operating contract, or an interest therein, without the approval of the LEDGC, is prohibited. Also, the sale, transfer, assignment, pledge, alienation, disposition, public offering, or acquisition of securities that results in one person's owning 5% or more of the total outstanding shares issued by the casino operator is void as to such person without prior approval of the LEDGC. Failure to obtain prior approval by the LEDGC of a person acquiring 5% or more of the total outstanding shares of a licensee or 5% or more economic interest in the casino operator is grounds for cancellation of the casino operating contract or license suspension or revocation.

Exclusive Contract. The Gaming Act provides that the casino operating contract is exclusive and no other official gaming establishment shall be contracted or licensed in Orleans Parish during the term of the casino operating contract. The Gaming Act also provides that, in the event that, at any time while the casino operating contract is in effect, one or more land-based casino gaming establishments in addition to the single casino gaming operation provided for by the Gaming Act is authorized to operate in Orleans Parish, the casino operator shall be relieved of the obligation to remit to the LEDGC the compensation required under the casino operating contract. Gaming operations upon riverboats in accordance with the Louisiana Riverboat Economic Development and Gaming Control Act, video poker operations authorized pursuant to the Video Draw Poker Devices Control Law, authorized charitable gaming activities, lottery games conducted pursuant to the provisions of the Louisiana Lottery Corporation Law and pari-mutuel wagering as authorized by the provisions of Chapter 4 of Title 4 of the Louisiana Revised Statutes of 1950 do not constitute the authorization of additional land-based casino gaming operations, which relieves the casino operator of payment of compensation to the LEDGC. The Company and the LEDGC dispute the effect of dockside riverboat gaming operations on the Company's payment obligations under the Gaming Act and the Casino Operating Contract. The Casino Operating Contract contains a detailed agreement on this issue.

Priority to Louisiana Residents and Business; Minority Employment. The Gaming Act obligates the casino operator to give preference and priority to Louisiana residents, laborers, vendors and suppliers, except when not reasonably possible to do so without added expense, substantial inconvenience or sacrifice in operational efficiency. The Gaming Act further obligates the casino operator to give preference and priority to Louisiana residents in considering applicants for employment and requires that no less than 80% of the persons employed by the casino operator be Louisiana residents for at least one year immediately prior to employment.

The Gaming Act requires that the casino operator and/or LEDGC adopt written policies, procedures, and regulations to allow the participation of businesses owned by minorities in all design, engineering, and construction contracts and/or projects to the maximum extent practicable. The Rules and Regulations provide that the casino operator and the casino manager must take the foregoing actions with respect to all design, engineering, construction, banking and maintenance contracts and any other projects initiated by the casino operator or casino manager. The Gaming Act further requires the casino operator, as nearly as practicable, to employ minorities consistent with the population of the State. The Rules and Regulations extend this obligation to the casino manager as well. The Rules and Regulations provide that if at any time the LEDGC shall conclude that the casino operator or the casino manager is conducting itself in a manner inconsistent with the requirements of Louisiana law or the Rules and Regulations, the LEDGC may take enforcement action, including fines and the imposition of a plan that the LEDGC determines meets the objectives of the Gaming Act and the Rules and Regulations.

Limits on Restaurant, Lodging, Retail Operations. The Gaming Act provides that the casino operator shall not: (i) offer seated restaurant facilities with table food service for patrons, but may offer limited cafeteria style food services for employees and patrons as provided by rule of the LEDGC, provided, however, that no food may be given away or subsidized within the official gaming establishment by the casino operator or any licensee, and no facility for food service shall exceed seating for 250 persons; (ii) offer lodging in the official gaming establishment, nor engage in any practice or enter into any business relationships to give any hotel, whether or not affiliated with the casino operator, any advantage or preference not available to all similarly situated hotels; (iii) engage in such activities as are prohibited by the casino operating contract; (iv) engage in the sale of products that are not directly related to gaming; or (v) cash or accept in exchange for the purchase of tokens, chips or electronic cards an identifiable employee payroll check. Any contract between the casino operator and any hotel or lodging facilities must be submitted to the LEDGC for approval prior to entering into the contract.

Rights of Holders of Security Interest. The Gaming act authorizes the LEDGC to provide for the protection of the rights of holders of security interests in both immovable property and movable property used in or related to casino gaming operations ("Gaming Collateral") and to provide for the continued operation of the official gaming establishment during the period of time that a lender, as a holder of a security interest, seeks to enforce its security interest in such property. In connection therewith, the Gaming Act provides that the holder of a security interest in Gaming Collateral may receive payments from the owner or lessee of such property out of the proceeds of casino gaming operations received by the owner or lessee, and, the holder of the security interest may be exempt from the licensing requirements of the Gaming Act with respect to such payments if the transaction(s) giving rise to such payments have been approved in advance by the LEDGC and complies with all rules and regulations of the LEDGC and the LEDGC determines the holder to be suitable.

Under the Gaming Act, a holder of a security interest in a gaming device who asserts the right to ownership or possession of the encumbered property may be granted a one-time, nonrenewable, provisional contract for a maximum of 90 days for the sole purpose of acquiring ownership or possession for resale to a licensed or approved person, all in accordance with rules and regulations to be promulgated by the LEDGC. The license or contract shall not authorize the holder to operate the gaming device or to utilize the property in gaming activities.

If the holder of a security interest in immovable property comprising the official gaming establishment wishes to continue the operation of the official gaming establishment during and after the filing of a suit to enforce the security interest, the Gaming Act provides that the holder of the security interest must name the LEDGC as a nominal defendant in such suit and request the appointment of a receiver from among the persons on a list maintained by the LEDGC. Upon proof of the debtor's default under the security instrument and the holder's right to enforce the security interest, the court shall appoint a person from the LEDGC's list as a receiver of the official gaming establishment. Upon appointment of

the receiver, the Gaming Act requires the receiver to furnish a fidelity bond in favor of the security interest holder, the owner or lessee of the official gaming establishment and the LEDGC in an amount to be set by the court after consultation with the LEDGC and all parties. The Gaming Act requires the LEDGC to issue to the receiver a one-time, nonrenewable, provisional contract to continue gaming operations until the receivership is terminated. The receiver is considered to have all the rights and obligations of the casino operator under the casino operating contract. The holder of the security interest provoking the appointment of a receiver under the Gaming Act is required to pay the cost of the receiver's bond and the cost of operating the official gaming establishment or gaming operator during the term of receivership to the extent that such costs exceed available revenues, in accordance with the rules and regulations of the LEDGC. The Gaming Act further provides that the fees of the receiver and the authority for expenditures of the receiver are to be established by rules and regulations of the LEDGC.

The Gaming Act provides that a receivership must terminate upon: (i) the sale of the property subject to receivership to a duly approved or authorized person; (ii) the payment in full of all obligations due to the holder of the security interest in the property subject to the receivership; (iii) an agreement for termination of the receivership signed by the holder of the security interest and the debtor, and approved by the LEDGC and the court; or, (iv) the lapse of five years from the date of the initial appointment of the receiver. Under the Gaming Act, a receivership may also be terminated by notice from the holder of the security interest who provoked the receivership addressed to the court and the LEDGC of its intention to withdraw its financial support of the receivership at a specified time not less than 90 days from the date of the notice. In the event of such notice, the Gaming Act provides that the holder of the security interest giving the notice will not be responsible for any costs or expenses of the receivership after the date specified in the notice; except for reasonable costs and fees of the receiver in concluding the receivership, and the costs of a final accounting.

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 an owner's license involves a preliminary approval procedure in which the Illinois Gaming Board issues a finding of preliminary suitability to a license applicant and effectively reserves a gaming license for such applicant. The Board has issued all ten licenses or findings of preliminary suitability. Des Plaines Development Limited Partnership, of which 80% is owned by Harrah's Illinois Corporation, received an owner's license in 1993. Harrah's Illinois Corporation also holds a supplier's license, which entitles it to manage the Joliet riverboats for the partnership for a fee and lease one of the riverboats to the partnership.

To obtain an owner's license (and a finding of preliminary 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. 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 is 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 approval 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 without approval 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 be conducted only with a cashless wagering system, whereby money is converted to tokens, electronic cards or chips which can only be used for wagering. 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 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. Harrah's Tunica Corporation and Harrah's Vicksburg Corporation, indirect subsidiaries of Promus, are licensed to operate riverboat casinos in Tunica and Vicksburg, Mississippi, respectively. In addition, a parent company of a company holding a license must register under the Mississippi Act. Promus and certain of its subsidiaries are registered with the Mississippi Commission.

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 eight 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. 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 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 is 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 is 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 1994, but will need to approve any other 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--LOUISIANA (RIVERBOAT)

The ownership and operation of a gaming riverboat in Louisiana is subject to extensive regulation under Louisiana gaming laws and regulations. A seven-member Riverboat Gaming Commission ("Commission") and the Riverboat Gaming Enforcement Division ("Division"), a part of the Louisiana State Police, are charged with such regulatory authority, including the issuance of riverboat gaming licenses. The number of licenses to conduct gaming on a riverboat is limited by statute to fifteen. No

more than six licenses may be granted for the operation of gaming activities on riverboats in any one parish (county). In general, riverboat gaming in Louisiana can be conducted legally only on approved riverboats that cruise with certain exceptions including exceptions for certain portions of the Red River where riverboats can be continuously docked. Harrah's Shreveport Investment Company, Inc. an indirect subsidiary of Promus, is the general partner of, and owns 99% of, Red River Entertainment of Shreveport Partnership in Commendam, a Louisiana partnership which was granted a gaming license in April, 1994, to operate a continuously docked gaming riverboat. The riverboat is managed by Harrah's Shreveport Management Company, Inc., another subsidiary, pursuant to an agreement with the Partnership.

To obtain a gaming license, applicants must obtain certain Certificates of Approval from the Commission and submit comprehensive application forms, be fingerprinted and undergo an extensive background investigation by the Division. An applicant is ineligible to receive a gaming license if the applicant has not established good character, honesty and integrity. Each license granted entitles a licensee to operate a riverboat and equipment thereon from a specific location. The duration of the license initially runs for five years; renewals are for one year terms. In determining whether to grant a license, the Division considers: (i) the good character, honesty and integrity of the applicant; (ii) the applicant's ability to conduct gaming operations; (iii) the adequacy and source of the applicant's financing; (iv) the adequacy of the design documents submitted; (v) the docking facilities to be used; (vi) applicant's plan to recruit, train, and upgrade minorities in employment and to provide for minority-owned business participation.

A holder of a license is subject to the imposition of penalties, 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 Louisiana, or that violates the gaming laws and regulations.

The transfer of a license or an interest in a license is prohibited. In addition, an ownership interest of five percent (5%) or more in a business entity which holds a gaming license may not be sold, assigned, transferred or pledged without the Division's approval.

No person may be employed as a gaming employee unless such person holds a gaming employee permit issued by the Division. In addition, the Division issues suppliers licenses which authorize the supplier licensee to sell or lease gaming equipment and supplies to any licensee.

Minimum and maximum wagers on games are set by the licensee and wagering may be conducted only with a cashless wagering system, whereby all money is converted to tokens, electronic cards, or chips used only for wagering in the gaming establishment. 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.

The legislation imposes a franchise fee for the right to operate on Louisiana waterways of 15% of net gaming proceeds and a license fee of \$50,000 (first year) and \$100,000 (subsequent years) plus 3 1/2% of net gaming proceeds. All fees are paid to the Division. In addition, the legislation authorizes local governing authorities the power to levy an admission fee up to \$2.50 for each person boarding the riverboat. Currently that amount is paid by the license holder.

GAMING--MISSOURI

The ownership and operation of a gaming riverboat in Missouri is subject to extensive regulation under Missouri gaming laws and regulations. A five-member Missouri Gaming Commission ("Commission") is charged with such regulatory authority, including the issuance of riverboat gaming licenses. Harrah's North Kansas City Corporation, an indirect subsidiary of Promus, has been issued a license to conduct riverboat gaming by the Commission. Gaming in Missouri can be conducted legally only on either excursion gambling boats or floating facilities approved by the Commission on the Mississippi and Missouri Rivers. Unless permitted to be continuously docked by the Commission for certain stated

reasons, including safety, excursion gambling boats must cruise. The Commission has approved dockside gaming for the Company's riverboat in North Kansas City.

To obtain a gaming license, applicants must submit comprehensive application forms, be fingerprinted and undergo an extensive background investigation by the Commission. An applicant is ineligible to receive an owner's license if the applicant has not established good reputation and moral character or if the applicant, any of its officers, directors or managerial employees or any person who participates in the management or operation of gaming operations has been convicted of a felony. There are separate licenses for owners and operators of riverboat gambling operations, which can be applied for and held concurrently. Each license granted entitles a licensee to own and/or operate an excursion gambling boat and equipment thereon from a specific location. The duration of the license initially runs for two one-year terms followed by two-year terms. The Commission also licenses the serving of alcoholic beverages on riverboats and adjacent facilities. All local income, earnings, use, property and sales taxes are applicable to licensees.

In determining whether to grant a license, the Commission considers: (i) the integrity of the applicants; (ii) the types and variety of games to be offered; (iii) the quality of the physical facility, together with improvements and equipment, and how soon the project will be completed; (iv) the financial ability of the applicant to develop and operate the facility successfully; (v) the status of governmental actions required for the facility; (vi) management ability of the applicant; (vii) compliance with applicable laws, rules, charters, and ordinances; (viii) the economic, ecological and social impact of the facility as well as the cost of public improvements; (ix) the extent of public support or opposition; (x) the plan adopted by the home dock city or county; and (xi) effects on competition.

A holder of a license is subject to the imposition of penalties, 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 Missouri, or that would discredit or tend to discredit the Missouri gaming industry or the state of Missouri, 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 rules, order or ruling of the Commission 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 legislation or 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; (vi) employing in any Missouri gaming operation any person known to have been found guilty of cheating or using any improper device in connection with any game; (vii) use of fraud, deception, misrepresentation or bribery in securing any license or permit issued pursuant to the legislation; (viii) obtaining any fee, charge, or other compensation by fraud, deception or misrepresentation; and (ix) incompetence, misconduct, gross negligence, fraud, misrepresentation or dishonesty in the performance of the functions or duties regulated by the legislation.

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 the approval of the Commission. 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 the Commission's approval.

Every employee participating in 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 Commission 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.

Even if continuously docked, licensed riverboats must establish and abide by a cruise schedule. Riverboat cruises are required to be a minimum of two hours and a maximum of four hours. For the Company's riverboat in North Kansas City, MO, which is continuously docked, passengers may board the riverboat for a 45-minute period at the beginning of a cruise. They may disembark at any time. There is a maximum loss per person per cruise of \$500. Minimum and maximum wagers on games are set by the licensee and wagering may be conducted only with a cashless wagering system, whereby money is converted to tokens, electronic cards or chips which can only be used for wagering. No person under the age of 21 is permitted to wager, and wagers may only be taken from a person present on a licensed excursion gambling boat.

The legislation imposes a 20% wagering tax on adjusted gross receipts from gambling games. The tax imposed is to be paid by the licensed owner to the Commissioner on the day after the day when the wagers were made. Of the proceeds of that tax, 10% goes to the local government where the home dock is located, 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.

INDIAN GAMING

The terms and conditions of management contracts and the operation of casinos and all gaming on Indian land in the United States are subject to the Indian Gaming Regulatory Act of 1988 ("IGRA"), which is administered by the National Indian Gaming Commission ("NIGC"). IGRA is subject to interpretation by the Secretary and NIGC and may be subject to judicial and legislative clarification or amendment.

IGRA requires NIGC to approve management contracts and certain collateral agreements. All contracts relating to Harrah's Phoenix Ak-Chin casino were approved by the NIGC. The NIGC will not approve a management contract if a director or a 10% shareholder of the management company: (i) is an elected member of the Indian tribal government which owns the facility purchasing or leasing the games; (ii) has been or is convicted of a felony gaming offense; (iii) has knowingly and willfully provided materially false information to the NIGC or the tribe; (iv) has refused to respond to questions from the NIGC; or (v) is a person whose prior history, reputation and associations pose a threat to the public interest or to effective gaming regulation and control, or create or enhance the chance of unsuitable activities in gaming or the business and financial arrangements incidental thereto. In addition, the NIGC will not approve a management contract if the management company or any of its agents have attempted to unduly influence any decision or process of tribal government relating to gaming, or if the management company has materially breached the terms of the management contract or the tribe's gaming ordinance, or a trustee, exercising due diligence, would not approve such management contract.

A management contract can be approved only after NIGC determines that the contract provides, among other things, for: (i) adequate accounting procedures and verifiable financial reports, which must be furnished to the tribe; (ii) tribal access to the daily operations of the gaming enterprise, including the right to verify daily gross revenues and income; (iii) minimum guaranteed payments to the tribe, which must have priority over the retirement of development and construction costs; (iv) a ceiling on the repayment of such development and construction costs and (v) a contract term not exceeding five years and a management fee not exceeding 30% of net revenues (as determined by the NIGC); provided that the NIGC may approve up to a seven year term and a management fee not to exceed 40% of net

revenues if NIGC is satisfied that the capital investment required, and the income projections for the particular gaming activity justify the larger profit allocation and longer term.

IGRA established three separate classes of tribal gaming--Class I, Class II and Class III. Class I includes all traditional or social games played by a tribe in connection with celebrations or ceremonies. Class II gaming includes games such as bingo, pulltabs, punchboards, instant bingo and non-banked card games (those that are not played against the house), such as poker. Class III gaming is casino-style gaming and includes banked table games such as blackjack, craps and roulette, and gaming machines such as slots, video poker, lotteries and parimutuel wagering. Harrah's Phoenix Ak-Chin provides both Class II and III gaming.

IGRA prohibits substantially all forms of Class III gaming unless the tribe has entered into a written agreement with the host state that specifically authorizes the types of commercial gaming the tribe may offer (a "tribal-state compact"). IGRA requires states to negotiate in good faith with tribes that seek tribal-state compacts and grants Indian tribes the right to seek a federal court order to compel such negotiations. Many states have refused to enter into such negotiations. Tribes in several states have sought federal court orders to compel such negotiations. However, some courts have held that the Eleventh Amendment to the United States Constitution immunizes states from suit by Indian tribes in federal court without the state's consent. If Indian tribes are unable to compel states to negotiate tribal-state compacts, the Company may not be able to develop and manage casinos offering Class III games in states that refuse to enter into tribal-state compacts.

The State of Arizona has entered into a tribal-state compact with the Ak-Chin Indian Community, and the State of Washington has entered into a tribal-state compact with the Upper Skagit Indian Tribe. Accordingly, the Company does not believe that the operations of Harrah's Phoenix Ak-Chin or the proposed operations at Harrah's Upper Skagit will be affected by these court decisions. These compacts provide that the gaming agencies in each state are to conduct background investigations and certify the suitability of the manager, its officers, directors, and key employees to conduct gaming on tribal lands. The Company received such certification from the Arizona gaming authorities prior to opening the Phoenix Ak-Chin casino. The Pala Band of Mission Indians will need to enter into a tribal-state compact with the State of California prior to conducting Class III gaming. (The casino which the Company plans to manage will offer Class II gaming until such tribal-state compact is agreed upon). There can be no assurance that the Pala Band and the State of California will enter into a mutually acceptable tribal-state compact.

Title 25, Section 81 of the United States Code states that "no agreement shall be made by any person with any tribe of Indians, or individual Indians not citizens of the United States, for the payment or delivery of any money or other thing of value . . . in consideration of services for said Indians relative to their lands . . . unless such contract or agreement be executed and approved" by the Secretary of the Interior (the "Secretary") or his or her designee. An agreement or contract for services relative to Indian lands which fails to conform with the requirements of Section 81 will be void and unenforceable. All money or other thing of value paid to any person by any Indian or tribe for or on his or their behalf, on account of such services, in excess of any amount approved by the Secretary or his or her authorized representative will be subject to forfeiture. The Company believes that it has complied with the requirements of section 81 with respect to its management contract for Harrah's Phoenix Ak-Chin and intends to comply with Section 81 with respect to proposed Upper Skagit, Pala Band and any other contract to manage casinos located on Indian land in the United States.

Indian tribes are sovereign nations with their own governmental systems, which have primary regulatory authority over gaming on land within the tribes' jurisdiction. Therefore, persons engaged in gaming activities, including the Company, are subject to the provisions of tribal ordinances and regulations on gaming. These ordinances are subject to review by NIGC under certain standards established by IGRA. NIGC may determine that some or all of the ordinances require amendment, and

that additional requirements, including additional licensing requirements, may be imposed on the Company. The Company has received no such notification regarding the Ak-Chin casino. The possession of valid licenses from the Ak-Chin Indian Community is an ongoing condition of the Ak-Chin Agreement.

GAMING--OTHER

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 is also sensitive to the cost and availability of gasoline. Access to the Lake Tahoe and Reno areas of northern Nevada, Atlantic City, New Jersey and the Colorado properties 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 28,500 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 1997.

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). On March 17, 1995, the Company signed a settlement agreement (the "Settlement") with Bass that will settle all claims and counterclaims in this litigation (including the resolution of certain tax issues). The Settlement is subject to approval of the court. As a result of the Settlement, \$53.4 million has been charged against the Company's 1994 earnings, including \$4.3 million for legal fees previously reported in corporate expense.

Certain tax matters. In connection with the 1990 spin-off (the "1990 Spin-off") of Promus and acquisition of the Holiday Inn hotel business by Bass, Promus was liable, with certain exceptions, for taxes of Holiday and its subsidiaries for all pre-1990 Spin-off tax periods. Bass was obligated under the terms of the Tax Sharing Agreement to pay Promus the amount of any tax benefits realized by Holiday as a result of adjustments to pre-1990 Spin-off tax periods of Holiday and its subsidiaries. All examinations for tax years prior to 1987 have been completed and any taxes and related interest regarding those years have been paid. A protest of all unagreed issues for the IRS examination of 1987 through the 1990 Spin-off date was filed with the IRS during the third quarter of 1993 and negotiations to resolve disputed issues continue.

Under the terms of the Settlement between Bass and the Company, the Tax Sharing Agreement will be terminated. Pursuant to the Settlement, the Company will remain obligated for certain tax issues related to Promus' subsidiaries for pre-1990 Spin-off tax periods and for certain other items related to the final resolution of the disputed issues for 1987 through the 1990 Spin-off date. Final resolution of the disputed issues is not expected to have a material 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
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Michael D. Rose (53).....	Chairman of the Board of Promus since November 1989. Chief Executive Officer (1989-1994) and President (1989-1991) of Promus. Mr. Rose also is a director of Ashland Oil, Inc., First Tennessee National Corporation and General Mills, Inc.
Philip G. Satre (45).....	Director since 1989, President since April 1991 and Chief Executive Officer since April 1994 of Promus. Chief Operating Officer (1991-1994) and Senior Vice President (1989-1991) of Promus. President (since 1984) and Chief Executive Officer (1984-1991) of Harrah's. He is a member of the Executive Committee of Harrah's Jazz Company and a director of Harrah's Jazz Finance Corp.
John M. Boushy (40).....	Senior Vice President, Information Technology and Corporate Marketing Services of Promus since June 1993. Vice President, Strategic Marketing of Harrah's April 1989 to June 1993.
Charles A. Ledsinger, Jr. (45).....	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. 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 (49).....	Senior Vice President, Corporate Human Resources and Communications of Promus since November 1989.
Colin V. Reed (47).....	Senior Vice President, Corporate Development of Promus since May 1992. Vice President, Corporate Development of Promus from November 1989 to May 1992. He also is a director of Sodak Gaming, Inc. He is also a member of the Executive Committee of Harrah's Jazz Company and a director of Harrah's Jazz Finance Corp.
E. O. Robinson, Jr. (55).....	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.

PART II

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

The Company's Common Stock is listed on the New York Stock Exchange and traded under the ticker symbol "PRI". The stock is also listed on the Midwest Stock Exchange, the Pacific Stock Exchange and the Philadelphia Stock Exchange.

The following table sets forth the high and low price per share of the Company's Common Stock for the last two years:

	HIGH	LOW
	----	---
1993*		
First Quarter.....	25	17 15/32
Second Quarter.....	32	22 29/32
Third Quarter.....	53 31/32	31 11/32
Fourth Quarter.....	55	39
1994		
First Quarter.....	55 1/4	36 1/2
Second Quarter.....	41	27 1/8
Third Quarter.....	38	27 3/4
Fourth Quarter.....	34 1/8	25 7/8

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* Retroactively adjusted for stock splits that occurred in 1993.

The approximate number of holders of record of the Company's Common Stock as of January 31, 1995, is as follows:

TITLE OF CLASS	APPROXIMATE NUMBER OF HOLDERS OF RECORD
-----	-----
Common Stock, Par Value \$0.10 per share.....	16,993

The Company does not presently intend to declare 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 49 herein and Note 16 to the financial statements on page 74 herein. 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.

ITEM 6. SELECTED FINANCIAL DATA.

See the information for the years 1990 through 1994 set forth under "Selected Financial and Statistical Data" on page 50 herein.

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

Since its creation on February 7, 1990, The Promus Companies Incorporated (Promus) has been a leader in the hospitality industry, operating four major brands: Harrah's, one of the premier names in the casino entertainment industry, and Embassy Suites, Hampton Inn and Homewood Suites, each leading hotel brands. On January 30, 1995, Promus announced a planned spin-off, expected to be completed by the end of second quarter 1995, that will split the Company into two independent public

corporations, one for conducting its casino entertainment business and one for conducting its hotel business. Promus, which is expected to be renamed Harrah's Entertainment, Inc., will retain ownership of the casino entertainment business. Promus' hotel operations will be transferred to a new entity, expected to be named Promus Hotel Corporation (PHC), the stock of which is to be distributed to Promus' stockholders on a one-for-two basis (the PHC Spin-off).

As a result of this announcement, Promus' historical financial statements have been restated to reflect the hotel business as discontinued operations. The PHC Spin-off is subject to a number of conditions, including regulatory, bondholder, bank lender and other third-party consents, receipt of an opinion from outside legal counsel regarding the tax-free status of the transaction, market conditions, final approval of the Board of Directors and stockholder approval.

RESULTS OF OPERATIONS

Overall

(IN MILLIONS, EXCEPT EARNINGS PER SHARE)	1994	1993	1992	PERCENTAGE INCREASE/(DECREASE)	
				94 VS 93	93 VS 92
Revenues.....	\$1,339.4	\$1,020.6	\$894.4	31.2%	14.1%
Operating income.....	269.2	210.0	161.0	28.2%	30.4%
Income from continuing operations.....	50.0	74.9	49.6	(33.2)%	51.0%
Earnings from discontinued hotel operations.....	36.3	16.9	1.8	114.8%	838.9%
Net income.....	78.4	86.3	52.5	(9.2)%	64.4%
Earnings per share					
Continuing operations.....	0.49	0.73	0.49	(32.9)%	49.0%
Discontinued operations.....	0.35	0.16	0.02	118.8%	700.0%
Net income.....	0.76	0.84	0.52	(9.5)%	61.5%
Operating margin.....	20.1%	20.6%	18.0%	(0.5)pts	2.6pts

Promus' operating results include the combined results of its ownership and/or management of 15 casino entertainment properties located in Arizona, Colorado, Illinois, Louisiana, Mississippi, Missouri, Nevada and New Jersey. Most of 1994's growth occurred within the riverboat division as Promus entered new gaming markets. In January 1994, Harrah's opened a second riverboat casino in Joliet, Illinois. Harrah's also opened new riverboat casinos in Shreveport, Louisiana and North Kansas City, Missouri in April and September, respectively. Harrah's Phoenix Ak-Chin, the Company's first managed Indian gaming operation, opened on December 27, 1994. 1994 also represented the first full year of operations for Promus' initial three riverboat casinos, the first of which opened in May 1993. This increase in the number of casinos, in particular riverboat casinos, resulted in record consolidated revenues and operating income.

The increases in operating income provided by the new riverboat casinos were partially offset by increased development costs, the write-off of preopening costs related to those projects opened during the year reflecting a change in accounting policy, and the recognition of Promus' pro-rata share of Harrah's New Orleans preopening related costs. Promus expects the level of development costs to be lower in 1995. The Company continues to actively pursue additional casino development. However, development costs in 1994 included significant expenditures related to referenda in Missouri, Florida and Arkansas that are not expected to recur in 1995.

Income from continuing operations and net income for 1994 declined from the prior year due to the inclusion in 1994's financial results of a \$53.4 million provision for the settlement of litigation, related legal fees and other expenses, as discussed further below. Excluding this amount from the comparison, 1994 income from continuing operations and net income increased 37.4% and 52.0%, respectively, over the prior year.

Promus' overall operating margin declined 0.5 percentage points for 1994 as compared to the prior year due to the impact of the increased development costs, the write-off of preopening costs and the equity pick-up of the Harrah's New Orleans project pre-operating losses. If the impact of these three items is excluded from the comparison, Promus' operating margin would have increased 2.2 percentage points over the prior year, to 22.8%.

The following table summarizes operating income before preopening costs and corporate expense for 1994, 1993 and 1992 in millions of dollars and as a percent of the total for each of Promus' casino entertainment divisions:

	CONTRIBUTION FOR FISCAL YEAR ENDED DECEMBER 31,					
	IN MILLIONS OF DOLLARS			PERCENT OF TOTAL		
	1994	1993	1992	1994	1993	1992
Casino Entertainment						
Riverboat.....	\$127	\$ 28	\$ -	40%	12%	-%
Northern Nevada.....	76	77	67	24	33	36
Southern Nevada.....	75	79	66	24	33	35
Atlantic City.....	74	68	66	24	28	35
New Orleans.....	(9)	-	-	(3)	-	-
Development costs.....	(22)	(10)	(6)	(7)	(4)	(3)
Other.....	(8)	(5)	(5)	(2)	(2)	(3)
Total Promus.....	\$313	\$237	\$188	100%	100%	100%

Riverboat Division

(IN MILLIONS)	1994	1993	PERCENTAGE INCREASE/(DECREASE)
Revenues.....	\$ 415.0	\$ 90.8	357.0%
Operating income.....	126.8	28.0	352.9%
Operating margin.....	30.6%	30.8%	(0.2)pts
Gaming volume.....	\$4,300.4	\$822.3	423.0%

As of the end of 1994, the Riverboat Division included the operations of six riverboat casinos, as compared to three in operation at the end of 1993. The growth in the number of operating riverboat casinos, coupled with the inclusion in 1994 of a full year of operations for the three riverboats opened during 1993, resulted in increased revenues and operating income for the Division.

The higher operating margin achieved by this Division versus the other divisions 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 initially faced by facilities opening in new, emerging markets. Overall operating margin for the Division declined slightly during the year, reflecting primarily decreased operating margins at Promus' Mississippi casinos due to increasingly intense competition faced in those markets. Although Promus has taken actions in these markets in response to the changing operating environment and to improve operating efficiency, operating margins are not expected to return to the levels achieved during the period of limited competition.

Southern Nevada Division

(IN MILLIONS)	1994	1993	1992	PERCENTAGE INCREASE/(DECREASE)	
				94 VS 93	93 VS 92
Revenues.....	\$ 293.8	\$ 294.3	\$ 266.3	(0.2)%	10.5%
Operating income.....	74.9	79.4	65.8	(5.7)%	20.7%
Operating margin.....	25.5%	27.0%	24.7%	(1.5)pts	2.3pts
Gaming volume.....	\$2,981.8	\$3,069.6	\$2,895.2	(2.9)%	6.0%

As a result of capacity increases in both the Las Vegas and Laughlin markets, gaming volume for the Division decreased from 1993 levels. The decreased gaming revenue resulting from the lower volume was offset by higher Las Vegas non-gaming revenue, particularly lodging. Operating income and margins decreased from 1993 due to higher promotional costs and the lower margins inherent in non-gaming revenue.

1993 operating results reflected growth in both revenues and operating income due to increased gaming volume at both the Las Vegas and Laughlin properties. The Las Vegas property continued to benefit from the name change to Harrah's, completed in 1992, and the Laughlin property attracted more customers as a result of a third hotel tower, completed in third quarter 1992.

Northern Nevada Division

(IN MILLIONS)	1994	1993	1992	PERCENTAGE INCREASE/(DECREASE)	
				94 VS 93	93 VS 92
Revenues.....	\$ 310.3	\$ 315.6	\$ 310.5	(1.7)%	1.6%
Operating income.....	75.7	76.6	67.3	(1.2)%	13.8%
Operating margin.....	24.4%	24.3%	21.7%	0.1pt	2.6pts
Gaming volume.....	\$3,727.4	\$3,756.0	\$3,716.7	(0.8)%	1.1%

Lower gaming volume during 1994 resulted in a slight decline in revenues and operating income for the year. The decrease in volume may be attributed to the trial by traditional Northern Nevada customers of the new "mega" properties in the Las Vegas market, which opened in the fall of 1993, and severe winter weather experienced during fourth quarter 1994.

Despite lower gaming volume in 1994, the Division achieved a slight improvement in its operating margin over the prior year by continuing its emphasis on cost savings and operating efficiencies. These efforts also contributed to the 2.6 percentage points increase in operating margin for 1993 versus 1992.

Atlantic City

(IN MILLIONS)	1994	1993	1992	PERCENTAGE INCREASE/(DECREASE)	
				94 VS 93	93 VS 92
Revenues.....	\$ 316.6	\$ 312.1	\$ 312.1	1.4%	-
Operating income.....	74.5	68.0	66.2	9.6%	2.7%
Operating margin.....	23.5%	21.8%	21.2%	1.7pts	0.6pts
Gaming volume.....	\$3,224.5	\$2,991.6	\$2,724.1	7.8%	9.8%

Atlantic City's revenue increased in 1994 as a result of slot volume growth. This increased volume can be attributed to highly focused marketing efforts undertaken in 1994, as well as to a casino renovation substantially completed during the year. Cost management initiatives kept 1994 operating expenses consistent with those of 1993, resulting in operating margin improvement.

1993 revenues were essentially even with 1992 revenues, as Harrah's Atlantic City successfully met the demands of a highly competitive market. Operating income increased slightly in 1993 over 1992 as a result of cost management measures.

Harrah's New Orleans

Revenues and operating income for 1994 include a loss of \$8.5 million related to Promus' investment in Harrah's Jazz Company. This loss represents Promus' pro-rata share of preoperating losses incurred by the partnership developing Harrah's New Orleans. (See Capital Spending and Development section for further discussion of the current status of this development project.)

Other Factors Affecting Income Per Share

	1994	1993	1992	PERCENTAGE INCREASE/(DECREASE)	
				94 VS 93	93 VS 92
(INCOME)/EXPENSE (IN MILLIONS)					
Corporate expense.....	\$ 28.9	\$ 26.7	\$26.6	8.2%	0.4%
Preopening costs.....	15.3	-	-	N/M	N/M
Interest expense.....	78.3	73.1	77.6	7.1%	(5.8)%
Provision for settlement of litigation and related costs.....	53.4	0.4	1.8	N/M	N/M
Other income.....	(1.9)	(2.5)	(3.5)	(24.0)%	(28.6)%
Effective tax rate.....	54.1%	42.7%	41.7%	11.4pts	1.0pt
Minority interests.....	\$ 13.9	\$ 4.8	\$ -	189.6%	N/M
Discontinued hotel operations, net of income taxes.....	(36.3)	(16.9)	(1.8)	114.8%	838.9%
Extraordinary loss (gain), net of income taxes.....	-	5.4	(1.1)	N/M	N/M
Cumulative effect of change in accounting policy, net of income taxes.....	7.9	-	-	N/M	N/M

Corporate expense in 1994 increased from the 1993 level, following a slight increase in 1993 versus 1992, reflecting the impact of Promus' growth on the corporate staff functions. Interest expense increased in 1994 as a result of increasing debt levels and interest rates on variable rate debt over the course of the year. 1993 interest expense decreased from the prior year due to the refinancing completed in July 1993 and favorable variable interest rates.

The provision for settlement of litigation and related costs includes a charge of \$49.2 million to accrue the estimated cost, including related legal fees and other expenses, of the March 1995, settlement of certain litigation associated with the 1990 Spin-off of Promus and acquisition of the Holiday Inn business by Bass PLC. In addition to these costs, this expense category also includes legal fees and other expenses incurred related to Promus' defense of this litigation, which amounted to \$4.3 million, \$0.4 million and \$1.8 million in 1994, 1993 and 1992, respectively. The settlement payment is expected to be made in March 1995 using funds provided by Promus' revolving credit facility and operations.

Effective January 1, 1994, Promus changed its accounting policy related to preopening costs incurred during development of new projects. Promus' new policy is to defer preopening costs as incurred prior to opening and to expense them upon opening of each project. Previously, Promus had capitalized such costs and amortized them to expense over 36 months from the date of opening. Preopening costs for 1994 primarily represent those costs charged to expense upon the opening of Harrah's Shreveport in April and Harrah's North Kansas City in September, as well as the write-off of costs related to Promus' St. Louis project (see Capital Spending and Development section). Operating results for 1994 also reflect the cumulative charge against earnings, net of income taxes, of \$7.9 million, or \$0.08 per share, to write off the unamortized preopening costs balances related to projects opened in prior years (see Note 4 to the accompanying consolidated financial statements).

The effective tax rate for 1994 is higher than the federal statutory rate primarily due to the inclusion in Promus' 1994 operating results of the provision for settlement of litigation, which is not expected to be deductible for federal income tax purposes, and state income taxes. The effective tax rates for 1993 and 1992 are higher than the federal statutory rate due primarily to state income taxes.

Minority interest reflects joint venture partners' shares of income at joint venture riverboat casinos, and has increased as additional joint venture casinos open.

As previously discussed, on January 30, 1995, Promus announced its plans to split the Company into two independent public corporations. Accordingly, the operating results of Promus' hotel business have been segregated and reported as discontinued operations in the accompanying consolidated financial statements of income. Promus' prior year consolidated income statements have been restated to conform to the 1994 presentation.

The extraordinary losses recorded in 1993 represent write-offs of unamortized deferred finance charges due to early retirements of debt. During 1992, Promus incurred three extraordinary items, including a \$2.7 million extraordinary gain, net of tax, representing Promus' equity share of the forgiveness of debt recognized by a hotel joint venture. 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.

CAPITAL SPENDING AND DEVELOPMENT

Promus continues to pursue development opportunities within the casino entertainment industry. These opportunities include traditional land-based casinos, riverboat casinos, Indian gaming projects and international casino projects.

Harrah's New Orleans

Harrah's Jazz Company (Harrah's Jazz), in which a Promus subsidiary is one of three partners, was selected in May 1994 by the Louisiana Economic Development and Gaming Corporation (LEDGC) to negotiate for the right to own and operate the sole land-based casino permitted by law to operate in Orleans Parish, Louisiana. This selection was made pursuant to a public bidding process involving three public solicitations of proposals by the LEDGC dating back to May 1993. The negotiations with the LEDGC culminated with the execution in July 1994 of a casino operating contract with the LEDGC. In March 1994, Harrah's Jazz reached agreement with the City to lease from the City's Rivergate Development Corporation the sites of the Rivergate Convention Center, the legally mandated site of the permanent casino, and the Municipal Auditorium, the site of the temporary casino. In October 1994, Harrah's Jazz executed additional agreements with the City concerning such matters.

The estimated project cost of \$815 million will be financed through a combination of partner capital contributions, public debt securities, bank debt and operating cash flow from the temporary casino. In November 1994 the Partnership sold \$435 million of first mortgage notes and obtained a \$175 million bank facility, \$75 million of which was outstanding at December 31, 1994. At closing, the Promus subsidiary contributed a total of \$90 million, including \$33.3 million contributed on behalf of another partner. As a result of the Promus subsidiary's contribution on its partner's behalf, Promus currently holds an approximate 53% equity interest in the Partnership. The partner has the option to reacquire a portion of the incremental ownership percentage by making capital contributions within 120 days of the opening of the temporary casino. Because Promus' ownership of this majority interest is expected to be temporary and voting control continues to be shared equally by each partner during the option period, Harrah's Jazz is not consolidated into Promus' financial statements. Upon repayment of the capital contribution by Promus' partner, Promus' subsidiary's equity interest in the Partnership will be approximately 38.3%. If the funds available from the partner capital contributions, public debt securities, bank debt and operating cash flows are insufficient to meet the costs of developing, constructing and opening the temporary and permanent casinos, Promus has also agreed to loan Harrah's Jazz the funds necessary to complete the project, subject to certain conditions and exceptions, in exchange for a fee to be paid by Harrah's Jazz.

Construction is currently underway on the 76,000 square foot temporary casino, expected to open during second quarter 1995. Construction of the 400,000 square foot permanent casino facility (200,000 square foot casino space) is also proceeding with a targeted opening date of second quarter 1996, but the timing of completion remains subject to certain pending legal issues, including various litigation proceedings affecting the project.

Riverboat Casino Development

Three new riverboat casino entertainment projects opened in 1994. In January, Harrah's added a second riverboat casino in Joliet, Illinois. The addition of the Southern Star followed the May 1993 opening of the Northern Star, and increased Harrah's Joliet's casino square footage by more than 85%.

On April 18, 1994, Harrah's began operations aboard the Shreveport Rose, a dockside casino property located in downtown Shreveport, Louisiana. In addition to serving the Shreveport market, the facility draws customers from the Dallas, Texas metropolitan area and East Texas. The property was developed as a joint venture, with Harrah's owning an 86% interest at the property's opening. Promus has since acquired the interests of various minority partners and currently owns 99% of the project.

Harrah's North Kansas City, a 33,000 square foot riverboat and Promus' first Missouri casino, began operations on September 22, 1994. At the date of opening, traditional reel-type slot machines and other games of chance were not allowed under Missouri law; as a result, the property was initially configured with 94 table games and 807 video poker and video blackjack machines. On November 8, 1994, Missouri voters approved a statewide referendum allowing traditional slot machines and other games of chance. The property has since reconfigured its product mix to include slot machines. This reconfiguration is expected to result in higher gaming volume, operating income and operating margins for the property.

In addition to the six riverboat casinos now operating, Promus previously announced a second riverboat casino project in the state of Missouri to be located in Maryland Heights, a suburb of St. Louis. Approximately \$39 million had been incurred on the project as of the end of 1994, of which \$13 million is expected to be paid during 1995. Following the failure in April 1994 of a statewide referendum that would have approved games of chance for proposed casino developments in Missouri, Promus reevaluated its development plans for this project and postponed construction of the shoreside facilities at the Maryland Heights site. As a result of the voter approval of a similar referendum in November 1994, Promus resumed its development planning for this project. Subsequent to the end of the year, Promus announced plans to form a joint venture with another casino entertainment company to jointly develop a riverboat casino entertainment complex in Maryland Heights. Each company will develop and operate its separately branded riverboat casino, and Promus and its partner will jointly develop the related shoreside facilities. Subject to the receipt of the necessary approvals, construction is expected to begin in second quarter 1995 and be completed in second quarter 1996.

A 30,000 square foot riverboat casino was moved to Shreveport, Louisiana, in February 1995 and placed in service as a replacement vessel for the existing Shreveport Rose, which contained 19,500 square feet. This exchange resulted in approximately 27% more gaming positions at Harrah's Shreveport. The Shreveport Rose was moved from Shreveport to a dockyard in Louisiana and will be available for use at another as yet undetermined site. The costs associated with exchanging the boats and with maintaining the Shreveport Rose until it is returned to service are not material.

Indian Lands

Promus opened its first Indian gaming facility on Native American land on December 27, 1994. Harrah's Ak-Chin Phoenix is located on the Maricopa Indian Reservation approximately 25 miles south of Phoenix and 90 miles north of Tucson. The casino entertainment facility is owned by the Ak-Chin tribe and is managed by Promus for a fee under terms of a management contract with a five year term. Though Promus did not fund the development, it has guaranteed the related bank financing.

Promus is in various stages of negotiations or agreements with a number of other Indian communities to develop and/or manage facilities on Indian lands, which would require approvals from various government agencies to proceed.

International

Promus and its local partner began construction of a casino in Auckland, New Zealand, during second quarter 1994. Promus will own a 20% interest in the partnership and will manage the facility for a fee. Of Promus' total expected capital contribution of US\$30.5 million, US\$1.4 million had been contributed at December 31, 1994. Construction of the US\$331 million project, to be financed through a combination of partner contributions and non-recourse debt, is expected to be completed and the facility to be in operation in first quarter 1996.

Acquisition of Station Square

During August 1994, a general partnership in which Promus is a 75% partner completed its acquisition of Station Square, an entertainment, business and retail center in Pittsburgh, Pennsylvania. The approximately 52-acre Station Square site includes approximately 25 acres of land available for development and extends along the Monongahela River, across from the Golden Triangle of Pittsburgh.

If casino gaming is legalized in this jurisdiction, the partnership plans to pursue development of a casino entertainment facility at the Station Square site. Such development could require significant additional funding for design and construction of a casino entertainment facility. The project would also be contingent upon approval by necessary regulatory and governmental authorities and obtaining the required licenses to operate a gaming facility.

Existing Casino Facilities

Promus has begun construction of a \$28.6 million company-owned hotel, being developed under a license agreement with Hampton Inn, on the site of Harrah's Reno. The 408-room, 26-story hotel is expected to begin operations in fourth quarter 1995. Although Promus is considering additions of casino square footage or hotel rooms at certain of its other existing casino entertainment properties, no major additions are currently underway. On-going refurbishment and maintenance of Promus' casino entertainment facilities continues to maintain the quality standards set for these properties.

Overall

In addition to the projects discussed above, Promus continues to pursue additional casino entertainment development opportunities in various possible jurisdictions across the United States and abroad. Until necessary approvals to proceed with development of a project are obtained from the relevant regulatory bodies, the costs of pursuing casino entertainment projects are expensed as incurred. Construction-related costs incurred after the receipt of necessary approvals are capitalized and depreciated over the estimated useful life of the resulting asset. Other preopening costs are deferred as incurred and expensed at the respective property's opening.

A number of these 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. Cash needed to finance projects currently under development as well as additional projects being pursued by Promus will be made available from operating cash flows, the Bank Facility (see Debt and Liquidity section), joint venture partners, specific project financing, guarantees by Promus of third party debt and, if necessary, Promus debt and/or equity offerings. Promus' capital spending totalled \$316 million during 1994. Anticipated 1995 capital expenditures are estimated at \$250 million to \$275 million, including the projects discussed in this Capital Spending and Development section, refurbishment of existing facilities and other projects.

DEBT AND LIQUIDITY

Bank Facility
Available Borrowing Capacity

Promus currently has in place a \$650 million reducing revolving and letter of credit facility (the Facility). At December 31, 1994, \$288.6 million in borrowings was outstanding under the Facility. An additional \$226.4 million of the Facility was committed to back certain letters of credit, including a \$204.7 million letter of credit supporting the existing 9% Notes. These facility commitments resulted in \$135.0 million of the Facility being available to Promus as of December 31, 1994. In connection with the proposed PHC Spin-off, Promus is negotiating a new \$350 million bank facility (the PHC Facility) to be secured by the stock of PHC and its material subsidiaries. Prior to the PHC Spin-off, it is expected that approximately \$210 million will be drawn on the PHC Facility and used to retire a portion of Promus' existing outstanding debt. The PHC Facility will be assumed by PHC, and Promus will be released from liability, upon consummation of the PHC Spin-off. As a result, Promus is negotiating amendments to the Facility which are expected to include, among other things, a reduction in its borrowing capacity available under the Facility, in recognition of its reduced capital needs after the PHC Spin-off, and modifications to certain financial covenants.

The maturity of the 9% Notes in February 1995 resulted in a reduction of the letter of credit facility portion to \$50 million. Because the Bank Facility was used to retire the Notes, the total committed and total available Bank Facility balances remained substantially unchanged as a result of the 9% Notes' maturity.

Interest Rate Reduction

As a result of achieving investment grade status during second quarter 1994, the interest rate on Promus' Bank Facility was reduced by 1/4 of 1%. At December 31, 1994, the interest rate had also been reduced by an additional 3/8 of 1% due to Promus' exceeding a defined financial covenant requirement.

Interest Rate Agreements

To manage the relative mix of its debt between fixed and variable rate instruments, Promus enters into interest rate swap agreements to modify the interest characteristics of its outstanding debt without an exchange of the underlying principal amount. As of December 31, 1994, Promus was a party to the following interest rate swap agreements on certain fixed rate debt:

ASSOCIATED DEBT	SWAP RATE (LIBOR+)	RATE AT DEC. 31, 1994	NEXT SEMI-ANNUAL RATE ADJUSTMENT DATE	SWAP MATURITY
10 7/8% Notes \$200 million.....	4.73%	10.68%	April 15	October 1997
8 3/4% Notes \$50 million.....	3.42%	9.58%	May 15	May 1998
\$50 million.....	3.22%	8.71%	January 15	July 1998

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 15, 1995, to 10.01%.

Promus also 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, which at December 31, 1994, held Promus' interest rate in a range between 8.7% and 11.9%, expires in June 1995 and is not expected to be renewed.

During January 1995, Promus entered into four additional interest rate swap agreements to effectively convert a total of \$200 million in variable rate debt to a fixed rate in expectation of the scheduled retirement of \$200 million of Promus' outstanding 9% Notes using borrowings under the

variable rate Bank Facility. During March 1995, Promus entered into two additional interest rate swap agreements to effectively convert an additional \$100 million in variable rate debt to a fixed rate reflecting Promus' on-going management of the relative mix of its debt between fixed and variable rates in light of an increased level of borrowings under the Bank Facility. All six swaps, which are summarized in the following table, reset on a quarterly basis.

ASSOCIATED DEBT	SWAP RATE PAID (FIXED)	EFFECTIVE RATE ON ASSOCIATED DEBT AT INCEPTION	SWAP MATURITY
Revolving Credit Facility (Eurodollar plus 7/8%)			
\$50 million.....	7.915%	8.790%	January 1998
\$50 million.....	7.914%	8.789%	January 1998
\$50 million.....	7.910%	8.785%	January 1998
\$50 million.....	7.863%	8.738%	July 1997
\$50 million.....	6.990%	7.865%	March 2000
\$50 million.....	6.985%	7.860%	March 2000

The differences to be paid or received under the terms of the interest rate swap agreements and the rate collar transaction described above are accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the effective interest rates to be paid by Promus pursuant to the terms of its interest rate agreements will have a corresponding effect on its future cash flows. These agreements contain a credit risk that the counterparties may be unable to meet the terms of the agreements. Promus minimizes that risk exposure by evaluating the creditworthiness of its counterparties, which are limited to major banks and financial institutions, and does not anticipate nonperformance by the counterparties.

As a component of a transaction whereby Promus effectively secured an option to a site for a potential casino, Promus has guaranteed a third party's \$25 million variable rate bank loan. Promus also entered into an interest rate swap agreement in which Promus receives a fixed interest rate of 7% from the third party and pays the variable interest rate of the subject debt (LIBOR plus 1.75% at December 31, 1994) to the bank. The negative value of the swap, which is marked to market by the Company and included in interest expense, was approximately \$1.1 million at December 31, 1994. Promus' guarantee and the swap agreement expire December 1, 1996, and are also subject to earlier termination upon the occurrence of certain events.

Shelf Registration

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

INCOME TAX MATTERS

Under the terms of the Settlement between Promus and Bass PLC (Bass), the Tax Sharing Agreement entered into in connection with the February 7, 1990, spin-off (the 1990 Spin-off) of the stock of Promus to stockholders of Holiday Corporation will be terminated. Under the Tax Sharing Agreement, Promus was liable, with certain exceptions, for taxes of Holiday and its subsidiaries for all pre-1990 Spin-off tax periods. Bass was obligated under the same agreement to pay Promus the amount of any tax benefits realized from pre-1990 Spin-off tax periods of Holiday and its subsidiaries. Under the provisions of the Settlement, Promus will remain obligated for certain tax issues related to Promus and its subsidiaries for the pre-Spin-off tax periods and certain other items related to the final resolution

of disputed issues from the Internal Revenue Service (IRS) examination of income tax returns for 1987 through the 1990 Spin-off date. A protest defending the taxpayers' position on all disputed issues for these periods was filed with the IRS during third quarter 1993 and negotiations to resolve these issues continue. Final resolution of the disputed issues is not expected to have a material adverse effect on Promus' consolidated financial position or its results of operations.

EQUITY TRANSACTIONS

On April 29, 1994, Promus' stockholders approved an amendment to the Certificate of Incorporation which increased the number of authorized shares from 120 million to 360 million and reduced the par value per share from \$1.50 to \$0.10. As a result, previously reported amounts for prior years in the Consolidated Balance Sheets and Consolidated Statements of Stockholders' Equity have been restated to reclassify amounts from common stock to capital surplus to retroactively reflect the impact of the change in par value.

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS

The casino entertainment industry is experiencing expansion in both existing markets and new jurisdictions. In the Las Vegas market, three competitors opened new casino "mega" facilities during fourth quarter 1993 adding more than 350,000 square feet of casino space and 10,000 rooms to the market. Since that time, plans for several new facilities have been announced. In Laughlin, expansions by competitors completed in 1993 increased the number of rooms available in that market by 12%. In Reno, competitors continue the development of new projects which are expected to add additional casino space and hotel rooms to that market during 1995.

In addition, the expansion of casino gaming activity into new jurisdictions is continuing due to the growing acceptance of casino gaming as a form of entertainment and as an alternative tax revenue source for municipalities and states. Certain jurisdictions have restrictions on entry into the market, either through limitations on number of licenses granted or required minimum initial capital investment, which serve to limit capacity as well as to limit competition within those jurisdictions. In other jurisdictions, such as Mississippi, there are no constraints on market entry, which has created over-capacity in the market. In such markets, operating performance may suffer due to oversupply and as competing casinos engage in high cost marketing and promotional activities that increase costs for all market participants. The proliferation of casino gaming has also been furthered by the Indian Gaming Regulatory Act of 1988 which, as of February 23, 1995, had resulted in the approval of 114 compacts for the development of casinos on Native American lands in 22 states.

Promus is not able to determine the long-term impact, whether favorable or unfavorable, that these developments will have on the markets in which it currently operates. However, management believes that the current balance of its operations among the existing casino entertainment divisions as discussed above, combined with the further geographic diversification and the continuing pursuit of the Harrah's national brand strategy, have well-positioned Promus to face the challenges presented by these developments and help to reduce the potentially negative impact these new developments may have on Promus' overall operations.

INTERCOMPANY DIVIDEND RESTRICTION

Agreements governing the terms of its debt require Promus to abide by covenants which, among other things, limit Embassy's ability to pay dividends and make other restricted payments, as defined, to Promus. The amount of Embassy's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted payments, was approximately \$628.0 million at December 31, 1994. Promus' principal asset is the stock of Embassy, a wholly-owned subsidiary. Embassy holds, directly and through subsidiaries, the principal assets of Promus' businesses. Given this ownership structure, these restrictions should not impair Promus' ability to conduct its business through its subsidiaries or to pursue its development plans.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

THE PROMUS COMPANIES INCORPORATED

SELECTED FINANCIAL AND STATISTICAL DATA
(IN MILLIONS, EXCEPT STOCK DATA AND STATISTICAL DATA)
(SEE NOTES 1 AND 2)

	1994 (A)	1993	1992	1991	1990	COMPOUND GROWTH RATE
	-----	-----	-----	-----	-----	-----
OPERATING RESULTS						
Continuing operations						
Revenues.....	\$1,339.4	\$1,020.6	\$ 894.4	\$ 863.4	\$ 875.3	11.2%
Operating income.....	269.2	210.0	161.0	142.2	139.3	17.9%
Income before income taxes and minority interest.....	139.3	139.0	85.1	59.1	54.2	26.6%
Income from continuing operations....	50.0	74.9	49.6	34.5	30.7	13.0%
Net income.....	78.4	86.3	52.5	30.0	23.4	35.3%
Earnings before interest, taxes, depreciation and amortization (EBITDA).....	297.8	274.1	221.8	213.0	209.0	9.3%
COMMON STOCK DATA (B)						
Earnings (loss) per share						
Continuing operations.....	0.49	0.73	0.49	0.39	0.39	5.9%
Discontinued hotel operations.....	0.35	0.16	0.02	(0.06)	(0.09)	N/M
Net income.....	0.76	0.84	0.52	0.33	0.30	26.2%
Cash dividend per share.....	-	-	-	-	10.00	N/M
Market price of common stock at December 31.....	30.88	45.75	18.33	7.33	5.00	57.6%
Common shares outstanding at year-end (in thousands).....	102,403	102,258	101,882	101,368	79,959	6.4%
FINANCIAL POSITION						
Total assets.....	\$1,738.0	\$1,528.0	\$1,297.3	\$1,226.0	\$1,141.2	11.1%
Total assets of continuing operations.....	1,595.0	1,347.5	1,085.1	1,034.3	1,028.6	11.6%
Current portion of long-term debt.....	1.0	1.0	2.2	40.7	40.6	N/M
Long-term debt.....	727.5	665.2	660.7	614.5	712.3	0.5%
Stockholders' equity.....	623.4	536.0	427.9	365.5	203.7	32.3%
CAPITAL EXPENDITURES.....	301.8	234.5	101.9	46.8	80.6	39.1%
FINANCIAL PERCENTAGES AND RATIOS						
Return on revenues.....	3.7%	7.3%	5.5%	4.0%	3.5%	
Return on average invested capital.....	7.0%	9.4%	8.7%	8.9%	9.1%	
Return on average equity.....	8.2%	15.8%	12.5%	11.5%	8.5%	
Ratio of earnings to fixed charges.....	2.4	2.6	2.0	1.6	1.5	
Current ratio.....	0.6	0.7	0.9	0.5	0.5	
Ratio of book equity to debt.....	0.9	0.8	0.6	0.6	0.3	
Ratio of market equity to debt.....	4.3	7.0	2.8	1.1	0.5	
Ratio of EBITDA to interest paid.....	3.9	3.8	3.0	2.4	2.4	
Ratio of debt to EBITDA.....	2.4	2.4	3.0	3.1	3.6	
SELECTED STATISTICAL DATA						
Casino square footage.....	521,400	436,400	333,100	330,500	316,000	
Number of table games.....	789	641	465	512	492	
Number of slot machines.....	14,808	12,504	9,100	9,090	9,445	
Number of hotel rooms.....	5,367	5,348	5,242	4,542	4,541	

(a) 1994 includes a \$53.4 million provision for settlement of litigation and related costs (see Note 13).

(b) Retroactively adjusted for stock splits (see Note 5).

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	DECEMBER 31,	
	1994	1993
ASSETS		
Current assets		
Cash and cash equivalents.....	\$ 84,968	\$ 58,309
Receivables, including notes receivable of \$528 and \$1,966, less allowance for doubtful accounts of \$9,551 and \$9,252.....	33,051	31,907
Deferred income taxes (Note 10).....	18,979	18,165
Prepayments.....	4,291	2,471
Supplies.....	11,463	11,722
Other.....	19,083	17,268
	171,835	139,842
Land, buildings, riverboats and equipment		
Land and land improvements.....	228,232	182,072
Buildings, riverboats and improvements.....	981,647	895,362
Furniture, fixtures and equipment.....	392,741	339,046
	1,602,620	1,416,480
Less: accumulated depreciation.....	(472,779)	(414,978)
	1,129,841	1,001,502
Net assets of discontinued hotel operations (Notes 1 and 2).....	143,008	180,522
Investments in and advances to nonconsolidated affiliates (Note 15).....	116,932	31,881
Deferred costs and other (Note 6).....	176,349	174,211
	\$1,737,965	\$1,527,958
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable.....	\$ 54,621	\$ 15,268
Accrued litigation settlement and related costs (Note 13).....	72,101	-
Construction payables.....	10,879	26,345
Accrued expenses (Note 6).....	156,446	145,643
Current portion of long-term debt (Note 8).....	1,036	1,002
	295,083	188,258
Long-term debt (Note 8).....	727,493	665,159
Deferred credits and other.....	66,735	84,979
Deferred income taxes (Note 10).....	7,138	39,189
	1,096,449	977,585
Minority interests.....	18,079	14,336
Commitments and contingencies (Notes 9 and 12 through 15)		
Stockholders' equity (Notes 5, 14 and 15)		
Common stock, \$0.10 par value, authorized-360,000,000 shares, outstanding-102,402,619 and 102,258,442 shares (net of 37,172 and 25,251 shares held in treasury).....	10,240	10,226
Capital surplus.....	350,196	344,197
Retained earnings.....	265,574	187,203
Deferred compensation related to restricted stock.....	(2,573)	(5,589)
	623,437	536,037
	\$1,737,965	\$1,527,958

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

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	FISCAL YEAR ENDED DECEMBER 31,		
	1994	1993	1992
Revenues			
Casino.....	\$1,118,107	\$ 812,081	\$711,777
Food and beverage.....	162,413	139,522	133,485
Rooms.....	105,642	102,024	94,092
Management fees.....	914	150	-
Other.....	80,151	67,588	47,181
Less: casino promotional allowances.....	(127,821)	(100,720)	(92,151)
Total revenues.....	1,339,406	1,020,645	894,384
Operating expenses			
Direct			
Casino.....	497,686	369,335	334,702
Food and beverage.....	82,825	76,498	71,551
Rooms.....	33,430	33,124	31,958
Depreciation of buildings and equipment.....	70,632	54,631	48,963
Development costs.....	22,015	10,175	6,027
Other.....	319,411	240,113	213,596
Total operating expenses.....	1,025,999	783,876	706,797
Operating income before corporate expense and preopening costs.....	313,407	236,769	187,587
Corporate expense.....	(28,907)	(26,736)	(26,606)
Preopening costs.....	(15,313)	-	-
Operating income.....	269,187	210,033	160,981
Interest expense, net of interest capitalized (Note 3)...	(78,322)	(73,080)	(77,571)
Provision for settlement of litigation and related costs (Note 13).....	(53,449)	(400)	(1,844)
Other income, including interest income.....	1,867	2,462	3,490
Income before income taxes and minority interest.....	139,283	139,015	85,056
Provision for income taxes (Note 10).....	(75,391)	(59,394)	(35,479)
Minority interests.....	(13,908)	(4,754)	-
Income from continuing operations.....	49,984	74,867	49,577
Earnings from discontinued hotel operations, net of tax provisions of \$26,798, \$13,869 and \$1,401 (Note 2).....	36,319	16,926	1,841
Income before extraordinary items and cumulative effect of change in accounting policy.....	86,303	91,793	51,418
Extraordinary items, net of tax benefit (provision) of \$3,415 and \$(753) (Note 7).....	-	(5,447)	1,074
Cumulative effect of change in accounting policy, net of tax benefit of \$4,317 (Note 4).....	(7,932)	-	-
Net income.....	\$ 78,371	\$ 86,346	\$ 52,492
Earnings (loss) per share			
Continuing operations.....	\$ 0.49	\$ 0.73	\$ 0.49
Discontinued operations, net.....	0.35	0.16	0.02
Extraordinary items, net.....	-	(0.05)	0.01
Cumulative effect of change in accounting policy, net.....	(0.08)	-	-
Net income.....	\$ 0.76	\$ 0.84	\$ 0.52
Average common shares outstanding.....	102,810	102,562	101,116

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

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(NOTES 5, 14 AND 15)
(IN THOUSANDS)

	COMMON STOCK		CAPITAL SURPLUS	RETAINED EARNINGS	DEFERRED COMPENSATION RELATED TO RESTRICTED STOCK	TOTAL
	SHARES OUTSTANDING	AMOUNT				
BALANCE-JANUARY 3, 1992.....	101,368	\$10,137	\$314,094	\$ 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	51	7,513		2,379	9,943
BALANCE-DECEMBER 31, 1992.....	101,882	10,188	321,607	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 tax provision of \$2,662.....			3,752			3,752
Net shares issued under incentive compensation plans, including income tax benefit of \$10,467....	376	38	18,838		(867)	18,009
BALANCE-DECEMBER 31, 1993.....	102,258	10,226	344,197	187,203	(5,589)	536,037
Net income.....				78,371		78,371
Net shares issued under incentive compensation plans, including income tax benefit of \$3,252.....	145	14	5,999		3,016	9,029
BALANCE-DECEMBER 31, 1994.....	102,403	\$10,240	\$350,196	\$265,574	\$ (2,573)	\$623,437

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

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(NOTE 11)
(IN THOUSANDS)

	FISCAL YEAR ENDED DECEMBER 31,		
	1994	1993	1992
Cash flows from operating activities			
Net income.....	\$ 78,371	\$ 86,346	\$ 52,492
Adjustments to reconcile net income to cash flows from operating activities			
Earnings from discontinued hotel operations.....	(36,319)	(16,926)	(1,841)
Extraordinary items, before income taxes.....	-	8,862	(1,827)
Cumulative effect of change in accounting policy, before income taxes.....	12,249	-	-
Depreciation and amortization.....	86,644	70,207	63,826
Provision for settlement of litigation and related costs.....	49,158	-	-
Other noncash items.....	10,348	23,945	24,613
Minority interests share of net income.....	13,908	4,754	-
Equity in and distributions of (earnings) losses of nonconsolidated affiliates.....	12,398	(37)	167
Net (gains) losses from property transactions.....	570	196	(3,407)
Net change in long-term accounts.....	(4,447)	595	(16,339)
Net change in working capital accounts.....	30,883	28,718	4,324
Tax indemnification payments to Bass.....	(26,466)	(8,459)	(13,238)
Cash flows provided by operating activities....	227,297	198,201	108,770
Cash flows from investing activities			
Land, buildings, riverboats and equipment additions....	(219,139)	(219,042)	(92,811)
(Decrease) increase in construction payables.....	(15,466)	26,345	-
Proceeds from sales of equity investments.....	-	-	3,733
Proceeds from property transactions.....	4,192	8,248	3,488
Investments in and advances to nonconsolidated affiliates.....	(82,705)	(15,463)	(9,050)
Other.....	(18,291)	(25,909)	(4,661)
Cash flows used in investing activities.....	(331,409)	(225,821)	(99,301)
Cash flows from financing activities			
Net borrowings under Revolving Credit Facility, net of issue costs of \$11,547 in 1993.....	118,550	158,453	-
Debt retirements.....	(40,320)	(366,134)	(190,573)
Minority interests contributions, net of distributions.....	(8,434)	4,548	2,908
Proceeds from issuance of senior subordinated notes, net of issue costs of \$3,819 and \$5,687.....	-	196,181	194,313
Premiums paid on early extinguishment of debt.....	-	-	(4,426)
Cash flows provided by (used in) financing activities.....	69,796	(6,952)	2,222
Cash flows provided by (used in) discontinued hotel operations.....	60,975	51,367	(2,626)
Net increase in cash and cash equivalents.....	26,659	16,795	9,065
Cash and cash equivalents, beginning of period.....	58,309	41,514	32,449
Cash and cash equivalents, end of period.....	\$ 84,968	\$ 58,309	\$ 41,514

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

THE PROMUS COMPANIES INCORPORATED

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. On January 30, 1995, Promus announced a planned spin-off, expected to be completed by the end of second quarter 1995, that will split the Company into two independent public corporations, one for conducting its casino entertainment business and one for conducting its hotel business. Promus, which is expected to be renamed Harrah's Entertainment, Inc., will retain ownership of the casino entertainment business. Promus' hotel operations, which include the Embassy Suites, Hampton Inn and Homewood Suites hotel brands, will be transferred to a new entity, expected to be named Promus Hotel Corporation (PHC), the stock of which is to be distributed to Promus' stockholders on a one-for-two basis (the PHC Spin-off). As a result of this announcement, Promus' historical financial statements have been restated to reflect the hotel business as discontinued operations (see Note 2). The PHC Spin-off is subject to a number of conditions, including regulatory, bondholder, bank lender and other third party approvals, receipt of an opinion from outside legal counsel regarding the tax-free status of the transaction, market conditions, final approval of the Board of Directors and stockholder approval.

Promus owns and operates 15 casino entertainment facilities in eight states under the brand name Harrah's. Harrah's casino hotels are in all five major Nevada and New Jersey gaming markets: Reno, Lake Tahoe, Las Vegas and Laughlin, Nevada; and Atlantic City, New Jersey. Harrah's riverboat casinos are in Joliet, Illinois; Shreveport, Louisiana; Tunica and Vicksburg, Mississippi; and North Kansas City, Missouri. In addition, Harrah's has an ownership interest in and manages two limited stakes casinos in Black Hawk and Central City, Colorado, and manages a casino on Indian lands near Phoenix, Arizona.

NOTE 2--DISCONTINUED OPERATIONS

As discussed in Note 1, on January 30, 1995, Promus announced a planned spin-off of its hotel operations. Accordingly, the financial position, results of operations and cash flows of Promus' hotel business have been reported as discontinued operations for all periods presented in the consolidated financial statements. Summarized financial information of the discontinued operations is presented in the following tables:

Net assets of discontinued hotel operations:

	DECEMBER 31,	
	1994	1993
Current assets.....	\$ 25,565	\$ 24,259
Current liabilities.....	(34,461)	(37,941)
Net current liabilities.....	(8,896)	(13,682)
Land, buildings and equipment, net.....	322,140	336,701
Other assets.....	72,860	85,266
Long-term debt, including allocated debt (Note 8)...	(189,943)	(174,645)
Other liabilities and deferred taxes.....	(53,153)	(53,118)
Net assets of discontinued hotel operations.....	\$ 143,008	\$ 180,522

THE PROMUS COMPANIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, UNLESS OTHERWISE STATED)

NOTE 2--DISCONTINUED OPERATIONS (CONTINUED)

Earnings from discontinued hotel operations:

	FISCAL YEAR ENDED DECEMBER 31,		
	1994	1993	1992
Revenues.....	\$ 242,724	\$ 231,210	\$ 218,681
Costs and expenses.....	(148,470)	(163,758)	(174,852)
Operating income.....	94,254	67,452	43,829
Interest expense.....	(31,148)	(33,482)	(40,711)
Other expense.....	11	(3,175)	124
Income before income taxes.....	63,117	30,795	3,242
Provision for income taxes.....	(26,798)	(13,869)	(1,401)
Earnings from discontinued hotel operations.....	\$ 36,319	\$ 16,926	\$ 1,841

In connection with its hotel business, 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 \$38 million over the next 30 years. It is expected that PHC will assume these commitments upon consummation of the PHC Spin-off, at which time Promus will be released from any obligation.

NOTE 3--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 of these nonconsolidated affiliates in revenues. Promus' proportionate share of interest expense of such nonconsolidated affiliates is included in interest expense (see Note 15).

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 1992 began on January 4, 1992.

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.

THE PROMUS COMPANIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, UNLESS OTHERWISE STATED)

NOTE 3--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$45.9 million and \$30.4 million at December 31, 1994 and 1993, 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 \$3.8 million, \$3.1 million and \$2.3 million in 1994, 1993 and 1992, 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.....	16 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 casinos 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:

	1994	1993	1992
Food and beverage.....	\$63,414	\$52,057	\$51,235
Rooms.....	13,875	13,140	12,658
Other.....	2,634	1,541	1,657
	\$79,923	\$66,738	\$65,550

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 financing charges are amortized using the interest method based on the terms of the related debt agreements.

THE PROMUS COMPANIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, UNLESS OTHERWISE STATED)

NOTE 3--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Preopening Costs

Preopening costs, representing primarily direct salaries and other operating costs incurred prior to the opening of new facilities, are deferred as incurred and expensed upon the opening of the related facility (see Note 4).

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 5).

Reclassifications

Certain amounts for prior fiscal years have been reclassified to conform with the presentation for fiscal year 1994.

NOTE 4--CHANGE IN ACCOUNTING POLICY

Effective January 1, 1994, Promus changed its accounting policy relating to preopening costs incurred during development of new casino entertainment and hotel projects. Promus' new policy is to defer preopening costs as incurred prior to opening and to expense them upon opening of each project. Previously, Promus had capitalized such costs and amortized them to expense over 36 months from the date of opening. As a result of this change, operating results for the year ended December 31, 1994, reflect the cumulative charge against earnings, net of income taxes, of \$7.9 million, or \$0.08 per share, to write off the unamortized preopening costs related to projects opened in prior years. Operating results for 1994 also include preopening costs charged to expense of \$15.3 million, primarily related to projects opened during 1994.

NOTE 5--STOCKHOLDERS' EQUITY

On April 29, 1994, Promus' stockholders approved an amendment to the Certificate of Incorporation which increased the number of authorized common shares from 120 million to 360 million and reduced the par value per common share from \$1.50 to \$0.10. As a result, previously reported amounts for prior years in the Consolidated Balance Sheets and Consolidated Statements of Stockholders' Equity have been restated to reclassify amounts from common stock to capital surplus to retroactively reflect the impact of the change in par value.

On October 29, 1993, Promus' Board of Directors approved a three-for-two stock split, in the form of a stock dividend, effected by a distribution on November 29, 1993, of one additional share for each two shares owned by stockholders of record on November 8, 1993. This October 1993 split followed a two-for-one stock split, also effected as a stock dividend, approved by Promus' Board on February 26, 1993, and distributed on March 29, 1993. The par value of the additional shares issued as a result of these 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.

THE PROMUS COMPANIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, UNLESS OTHERWISE STATED)

NOTE 5--STOCKHOLDERS' EQUITY (CONTINUED)

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

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

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 14 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, 1994:

	RESTRICTED STOCK PLAN	STOCK OPTION PLAN
	-----	-----
Total shares authorized for issuance under the plans.....	4,800,000	5,850,000
Shares issued and options granted.....	(4,300,307)	(3,358,035)
	-----	-----
Shares held in reserve for issuance or grant under the plans as of December 31, 1994.....	499,693	2,491,965
	-----	-----

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.

THE PROMUS COMPANIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, UNLESS OTHERWISE STATED)

NOTE 6--DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

Deferred costs and other consisted of the following:

	1994	1993
	-----	-----
Excess of cost over net assets of businesses acquired.....	\$ 48,880	\$ 50,719
Cash surrender value of life insurance (Note 14)....	44,243	40,258
Deferred finance charges.....	12,265	15,065
Receivables due after one year, net of allowance for doubtful accounts of \$75 in 1994.....	3,941	19,966
Preopening costs (Note 4).....	-	22,825
Other.....	67,020	25,378
	-----	-----
	\$ 176,349	\$ 174,211
	-----	-----

Accrued expenses consisted of the following:

	1994	1993
	-----	-----
Insurance claims and reserves.....	\$ 49,448	\$ 39,859
Payroll and other compensation.....	41,937	31,573
Accrued interest payable.....	12,884	13,388
Deposits and customer funds.....	12,815	12,315
Taxes, including income taxes.....	(4,419)	30,946
Other accruals.....	43,781	17,562
	-----	-----
	\$ 156,446	\$ 145,643
	-----	-----

As of December 31, 1993, Receivables due after one year and Taxes, including income taxes, included \$16.4 million and \$29.1 million, respectively, for estimated amounts receivable from and payable to Bass PLC (Bass) as of that date pursuant to terms of the Tax Sharing Agreement (see Note 12). At December 31, 1994, pursuant to the terms of the Settlement with Bass, all amounts receivable from or payable to Bass have been reclassified in the Consolidated Balance Sheet to Accrued litigation settlement and related costs (see Note 13).

THE PROMUS COMPANIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7--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)
Income tax benefit.....	3,415	2,112
	(5,447)	(3,446)
Extraordinary items related to discontinued hotel operations		
Gain on forgiveness of joint venture debt.....	-	4,353
Gain due to discounting of debt at extinguishment.....	-	3,032
	-	7,385
Income tax provision.....	-	(2,865)
	-	4,520
Extraordinary items, net of income taxes.....	\$ (5,447)	\$ 1,074

There were no extraordinary items reported in fiscal 1994.

NOTE 8--LONG-TERM DEBT

Long-term debt consisted of the following:

	1994	1993
Secured Bank Facilities		
Revolving Credit Facility, 4.7%-8.5% at December 31, 1994, maturity 1998.....	\$ 288,550	\$ 170,000
9% Notes, backed by letter of credit, maturity 1995.....	199,977	199,790
Unsecured Senior Subordinated Notes		
8 3/4%, maturity 2000.....	200,000	200,000
10 7/8%, maturity 2002.....	200,000	200,000
Unsecured Notes Payable		
8 3/8%-15%, maturities to 2001.....	27,862	68,148
Debt allocated to discontinued hotel operations.....	(187,860)	(171,777)
	728,529	666,161
Current portion of long-term debt.....	(1,036)	(1,002)
	\$ 727,493	\$ 665,159

Promus is negotiating a new \$350 million bank facility (Hotel Facility), to be secured by the stock of PHC and its material subsidiaries. Prior to the PHC Spin-off, it is expected that approximately \$210 million will be drawn on the Hotel Facility and used to retire a portion of Promus' existing outstanding debt. The Hotel Facility will be assumed by PHC, and Promus will be released from liability, upon consummation of the PHC Spin-off. Promus' outstanding corporate debt is not specifically related to either its casino entertainment or hotel business. Therefore, in anticipation of these transactions, a pro-rata portion of Promus' historical outstanding debt balance, unamortized deferred finance charges and interest expense has been allocated to the discontinued hotel operations for all periods presented. The

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, UNLESS OTHERWISE STATED)

NOTE 8--LONG-TERM DEBT (CONTINUED)

amounts allocated are based on the percentage of Promus' existing debt expected to be retired using proceeds from the Hotel Facility and, together with debt specifically related to PHC of \$3.3 million and \$4.0 million at December 31, 1994 and 1993, respectively, are included in net assets of discontinued hotel operations.

As of December 31, 1994, annual principal requirements, net of the debt allocated to the discontinued hotel operations, for the four years subsequent to 1995 were: 1996, \$1.6 million; 1997, \$1.6 million; 1998, \$302.7 million; and 1999, \$19.4 million. Promus funded the scheduled retirement of the 9% Notes which matured on February 15, 1995 using funds drawn under the long-term revolving credit facility. Therefore, these Notes are considered to be retired in 1998 for purposes of this disclosure.

Revolving Credit Facility

Promus' secured bank facility consists of a \$650 million reducing revolving and letter of credit facility (the Facility). Reductions of the borrowing capacity available under the 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 Facility, there is a sub-limit of \$255 million for letters of credit. The Facility originally provided for borrowings at a base rate of either the Eurodollar rate plus 1 1/2% or prime rate plus 1/2%. As a result of achieving certain defined financial objectives contained in the Facility agreement, the interest rate on the Facility was reduced during 1994 to the Eurodollar rate plus 7/8% as of December 31, 1994. The annual fees on letters of credit and commitment fees on the unutilized portion under the Facility, at December 31, 1994, were 1 1/8% and 3/8%, respectively.

The Facility is secured by the assets of Promus' Nevada and New Jersey casino properties, the stock of its principal subsidiary, Embassy Suites, Inc. (Embassy), and certain other subsidiaries and certain other casino entertainment segment trademarks. The 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. Approval from the banks providing the Facility will be required prior to consummation of the PHC Spin-off. In connection with the PHC Spin-off, Promus is negotiating amendments to the Facility which are expected to include, among other things, a reduction in the aggregate principal amount available under the Facility and modifications to certain financial covenants.

As of December 31, 1994, Promus' borrowings under the Facility, including amounts allocated to the discontinued hotel operations, were \$288.6 million and an additional \$226.4 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, \$135.0 million of the Facility was available to Promus at December 31, 1994.

Senior Subordinated Notes

During 1993, Embassy, a wholly-owned subsidiary of Promus, completed an 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 16), and limit Embassy's ability to incur additional debt. The 8 3/4% Notes have essentially the same financial covenants as, and are pari passu in right of payment to, the 10 7/8% Senior Subordinated Notes due 2002 (10 7/8% Notes) issued during 1992.

THE PROMUS COMPANIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, UNLESS OTHERWISE STATED)

NOTE 8--LONG-TERM DEBT (CONTINUED)

Promus has unconditionally guaranteed Embassy's obligations under both the 8 3/4% Notes and the 10 7/8% Notes.

Interest Rate Agreements

To manage the relative mix of its debt between fixed and variable rate instruments, Promus enters into interest rate swap agreements to modify the interest characteristics of its outstanding debt without an exchange of the underlying principal amount. At December 31, 1994 and 1993, Promus was a party to certain interest rate swap agreements pursuant to which it pays a variable interest rate in exchange for receiving a fixed interest rate. The average variable rate paid by Promus was 5.8% and 3.4% at December 31, 1994 and 1993, respectively, and the average fixed interest rate received was 5.9% at both dates. The impact of these interest rate swap agreements on the effective interest rates of the associated debt was as follows:

ASSOCIATED DEBT	CONVERTED RATE (LIBOR+)	EFFECTIVE RATE AT DECEMBER 31,		NEXT SEMI- ANNUAL RATE ADJUSTMENT DATE	SWAP MATURITY
		1994	1993		
10 7/8% Notes					
\$200 million.....	4.73%	10.68%	8.14%	April 15	October 1997
8 3/4% Notes					
\$50 million.....	3.42%	9.58%	6.93%	May 15	May 1998
\$50 million.....	3.22%	8.71%	6.76%	January 15	July 1998

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 15, 1995 to 10.01%.

Promus also maintains interest rate protection, in the form of a rate collar transaction entered into in June 1990, on \$140 million of its variable rate bank debt. The interest rate protection expires in June 1995 and at December 31, 1994, held Promus' interest rate in a range between 8.7% and 11.9%.

On January 24, 1995, Promus entered into additional interest rate swap agreements to effectively convert \$200 million in variable rate debt to a fixed rate in expectation of using borrowings under the variable rate bank facility to fund the scheduled retirement of the \$200 million 9% Notes. On March 16, 1995, Promus entered into two additional interest rate swap agreements to effectively convert an additional \$100 million in variable rate debt to a fixed rate. Pursuant to the terms of these

THE PROMUS COMPANIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8--LONG-TERM DEBT (CONTINUED)

swaps, Promus will receive variable payments tied to LIBOR in exchange for Promus' payments at a fixed interest rate. The fixed rates to be paid by Promus are summarized in the following table:

ASSOCIATED DEBT	SWAP RATE PAID (FIXED)	EFFECTIVE RATE ON ASSOCIATED DEBT AT INCEPTION	SWAP MATURITY
Revolving Credit Facility (Eurodollar plus 7/8%)			
\$50 million.....	7.915%	8.790%	January 1998
\$50 million.....	7.914%	8.789%	January 1998
\$50 million.....	7.910%	8.785%	January 1998
\$50 million.....	7.863%	8.738%	July 1997
\$50 million.....	6.990%	7.865%	March 2000
\$50 million.....	6.985%	7.860%	March 2000

The differences to be paid or received under the terms of the interest rate swap agreements and the rate collar transaction described above are accrued as an adjustment to interest expense for the related debt. Changes in the effective interest rates to be paid by Promus pursuant to the terms of its interest rate agreements will have a corresponding effect on its future cash flows. These agreements contain a credit risk that the counterparties may be unable to meet the terms of the agreements. Promus minimizes that risk by evaluating the creditworthiness of its counterparties, which are limited to major banks and financial institutions, and does not anticipate nonperformance by the counterparties.

As a component of a transaction whereby Promus effectively secured an option to a site for a potential casino, Promus has guaranteed a third party's \$25 million variable rate bank loan. Promus also has entered into an interest rate swap agreement in which Promus receives a fixed interest rate of 7% from the third party and pays the variable interest rate of the subject debt (LIBOR plus 1.75%). The negative value of the swap, which is marked to market by Promus and included in interest expense, was approximately \$1.1 million at December 31, 1994. Promus' guarantee and the swap agreement expire December 1, 1996 and are also subject to earlier termination upon the occurrence of certain events. As with the other interest rate swap agreements entered into by Promus, this agreement contains an element of risk that the counterparty may be unable to meet the terms of the agreement. Promus has minimized such exposure by obtaining a security interest in certain assets of the third party.

Shelf Registration

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. The shelf registration expires in August 1995.

Fair Market Value

Based on the borrowing rates currently available for debt with similar terms and maturities and market quotes of its publicly traded debt, the fair value of Promus' long-term debt, including the

THE PROMUS COMPANIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8--LONG-TERM DEBT (CONTINUED)

interest rate agreements and excluding debt allocated to the discontinued hotel operations, at December 31, 1994 and 1993 was as follows:

(IN MILLIONS)	DECEMBER 31,			
	1994		1993	
	CARRYING VALUE	MARKET VALUE	CARRYING VALUE	MARKET VALUE
Outstanding debt.....	\$ (728.5)	\$(723.0)	\$ (666.1)	\$(701.6)
Interest rate agreements (used for hedging purposes)				
Interest rate swaps.....	-	(17.9)	1.7	9.8
Interest rate collar.....	(0.3)	(0.8)	(0.4)	(7.8)

The amounts reflected as the "carrying value" of the interest rate agreements represent the accrual balance as of the date reported. The "market value" of the interest rate agreements represent the estimated amount, considering the prevailing interest rates, that Promus would receive (or pay) to terminate the agreement as of the date reported. The above table excludes the interest rate swap agreements entered into subsequent to year-end.

NOTE 9--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:

	1994	1993	1992
Noncancelable			
Minimum.....	\$ 9,919	\$ 9,052	\$ 8,504
Contingent.....	-	122	-
Sublease.....	(11)	(4)	(26)
Other.....	2,195	5,297	2,677
	\$12,103	\$14,467	\$11,155

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9--LEASES (CONTINUED)

The future minimum rental commitments as of December 31, 1994, were as follows:

	NONCANCELABLE OPERATING LEASES

1995.....	\$ 12,397
1996.....	9,223
1997.....	6,729
1998.....	5,550
1999.....	5,220
Thereafter.....	62,132

Total minimum lease payments.....	\$ 101,251

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 10--INCOME TAXES

Promus' federal and state income tax provision (benefit) allocable to identified income statement and balance sheet line items was as follows:

	1994	1993	1992
	-----	-----	-----
Income before income taxes and minority interest.....	\$75,391	\$ 59,394	\$35,479
Discontinued operations.....	26,798	13,869	1,401
Extraordinary items.....	-	(3,415)	753
Cumulative effect of change in accounting policy.....	(4,317)	-	-
Stockholders' equity			
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes.....	(3,252)	(10,467)	(3,726)
Pro-rata share of proceeds from equity investee's initial public offering.....	-	2,662	-
	-----	-----	-----
	\$94,620	\$ 62,043	\$33,907
	-----	-----	-----
	-----	-----	-----

Income tax expense attributable to Income before income taxes and minority interest consisted of the following:

	1994	1993	1992
	-----	-----	-----
Current			
Federal.....	\$103,264	\$44,557	\$25,224
State.....	4,992	4,424	5,361
Deferred.....	(32,865)	10,413	4,894
	-----	-----	-----
	\$ 75,391	\$59,394	\$35,479
	-----	-----	-----
	-----	-----	-----

THE PROMUS COMPANIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, UNLESS OTHERWISE STATED)

NOTE 10--INCOME TAXES (CONTINUED)

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:

	1994	1993	1992
Statutory tax rate.....	35.0%	35.0%	34.0%
Increases (decreases) in tax resulting from:			
State taxes, net of federal tax benefit.....	3.2	2.4	7.3
Provision for settlement of litigation and related costs (Note 13).....	13.3	0.1	0.4
Minority interest in partnership earnings.....	(3.5)	(1.2)	-
Adjustment of valuation of deferred tax assets and liabilities due to change in tax rate.....	-	0.7	-
Targeted jobs tax credit.....	(1.0)	(0.6)	(0.5)
Goodwill amortization.....	0.5	0.4	0.7
Other.....	6.6	5.9	(0.2)
	----	----	----
	54.1%	42.7%	41.7%
	----	----	----
	----	----	----

The components of Promus' net deferred tax balance included in the Consolidated Balance Sheets were as follows:

	1994	1993
Deferred tax assets	-----	-----
Compensation.....	\$ 19,478	\$ 17,874
Self-insurance reserves.....	10,346	9,456
Preopening expenses.....	6,515	-
Investments in nonconsolidated affiliates.....	4,967	-
Bad debt reserve.....	4,051	3,280
Deferred income.....	908	113
Tax credits.....	-	618
Other.....	3,967	3,264
	-----	-----
	50,232	34,605
Deferred tax liabilities		
Property.....	(38,391)	(50,372)
Investments in nonconsolidated affiliates.....	-	(1,571)
Other.....	-	(3,686)
	-----	-----
	(38,391)	(55,629)
	-----	-----
Net deferred tax asset (liability).....	\$ 11,841	\$(21,024)
	-----	-----
	-----	-----

THE PROMUS COMPANIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, UNLESS OTHERWISE STATED)

NOTE 11--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:

	1994	1993	1992
	-----	-----	-----
Long-term accounts			
Deferred costs and other assets.....	\$ 1,413	\$(2,534)	\$ (6,580)
Deferred credits and other long-term liabilities.....	(5,860)	3,129	(9,759)
	-----	-----	-----
Net change in long-term accounts.....	\$ (4,447)	\$ 595	\$(16,339)
	-----	-----	-----
Working capital accounts			
Receivables.....	\$(15,256)	\$(5,185)	\$ (9,396)
Supplies.....	369	(1,319)	(454)
Prepayments.....	(1,868)	(885)	6,017
Other current assets.....	(798)	(7,545)	(8,312)
Accounts payable.....	22,552	7,988	(2,419)
Accrued expenses.....	25,884	35,664	18,888
	-----	-----	-----
Net change in working capital accounts...	\$ 30,883	\$28,718	\$ 4,324
	-----	-----	-----

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:

	1994	1993	1992
	-----	-----	-----
Interest expense, net of amount capitalized (Note 3).....	\$78,322	\$ 73,080	\$77,571
Adjustments to reconcile to cash paid for interest:			
Promus' share of interest expense of nonconsolidated affiliates (Note 15).....	(1,959)	-	-
Net change in accruals.....	(4,923)	(10,708)	(5,264)
Amortization of deferred finance charges....	(2,844)	(3,261)	(4,661)
Net amortization of discounts and premiums.....	(176)	(172)	(194)
	-----	-----	-----
Cash paid for interest, net of amount capitalized.....	\$68,420	\$ 58,939	\$67,452
	-----	-----	-----

Cash payments, net of refunds, for income taxes, including amounts paid on behalf of the discontinued hotel operations, amounted to \$116,093, \$49,771 and \$28,038 for 1994, 1993 and 1992, respectively (see Note 10).

NOTE 12--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, 1994, Promus

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12--COMMITMENTS AND CONTINGENCIES (CONTINUED)

has guaranteed third party loans and leases of \$57 million, which are secured by certain assets, and has other contractual commitments of \$64 million, excluding amounts previously recorded.

See Note 15 for discussion of the completion guarantee provided to Harrah's Jazz Company by Promus related to development of the New Orleans' casino.

Guarantee of Insurance Contract

Promus has guaranteed the value of a guaranteed investment contract with an insurance company held by Promus' defined contribution savings plan. Promus has also agreed to provide non-interest-bearing loans to the plan to fund, on an interim basis, withdrawals from this contract by retired or terminated employees. Promus' maximum exposure on this guarantee as of December 31, 1994, 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 include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims.

Severance Agreements

Promus has severance agreements with 11 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, 1994, that would have been payable under the agreements to these executives based on earnings and stock options aggregated approximately \$27.7 million.

Tax Sharing Agreements

Under the terms of the Settlement between Promus and Bass PLC (Bass) (see Note 13), the Tax Sharing Agreement entered into in connection with the February 7, 1990, spin-off (the 1990 Spin-off) of the stock of Promus to stockholders of Holiday Corporation will be terminated. Under the Tax Sharing Agreement, Promus was liable, with certain exceptions, for taxes of Holiday and its subsidiaries for all pre-1990 Spin-off tax periods. Bass was obligated under the same agreement to pay Promus the amount of any tax benefits realized by Holiday as a result of adjustments to pre-1990 Spin-off tax periods of Holiday and its subsidiaries. Under the provisions of the Settlement, Promus will remain obligated for certain tax issues related to Promus and its subsidiaries for the pre-1990 Spin-off tax periods and certain other items related to the final resolution of disputed issues from the Internal Revenue Service (IRS) examination of income tax returns for 1987 through the 1990 Spin-off date. A protest defending the taxpayers' position on all disputed issues for these periods was filed with the IRS during third quarter 1993 and negotiations to resolve these issues continue. Final resolution of the disputed issues is not expected to have a material adverse effect on Promus' consolidated financial position or its results of operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13--LITIGATION

In March 1995, Promus entered into a settlement agreement (the Settlement) with Bass of all claims related to the Merger Agreement and Tax Sharing Agreement arising from the 1990 Spin-off of Promus and acquisition of the Holiday Inn hotel business by Bass. As a result of the Settlement, which is subject to approval of the court, a charge of \$49.2 million was recorded in 1994 to accrue the estimated cost of the Settlement, the related legal fees and other associated expenses. In addition to these costs, legal fees and other expenses incurred related to Promus' defense of this litigation are included in the Provision for settlement of litigation and related costs in the Consolidated Statements of Income for all periods presented. Such costs amounted to \$4.3 million, \$0.4 million and \$1.8 million in 1994, 1993 and 1992, respectively. Payments for the Settlement are not expected to be deductible for federal income tax purposes (see Note 10).

Promus is 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 material adverse effect upon Promus' consolidated financial position or its results of operations.

NOTE 14--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 aggressive stock fund, a long-term bond 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 \$11.4 million, \$10.2 million and \$8.9 million in 1994, 1993 and 1992, 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 \$0.5 million, \$0.7 million and \$0.8 million were approved for the plan years 1994, 1993 and 1992, 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. This expense totaled \$4.4 million, \$4.8 million and \$4.3 million in 1994, 1993 and 1992, respectively.

THE PROMUS COMPANIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, UNLESS OTHERWISE STATED)

NOTE 14--EMPLOYEE BENEFIT PLANS (CONTINUED)

Promus' SOP allows an option holder to purchase Promus common stock over specified periods of time, generally ten 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 1994 follows:

	OPTION PRICE RANGE (PER SHARE)	NUMBER OF COMMON SHARES	
		OPTIONS OUTSTANDING	AVAILABLE FOR GRANT
Balance-January 1, 1994.....	\$ 1.19-\$47.75	2,137,737	2,750,155
1994 grants.....	\$28.44-\$50.00	1,141,865	(1,141,865)
Exercised.....	\$ 1.19-\$15.67	(127,633)	-
Canceled.....	\$ 9.00-\$50.00	(883,675)	883,675
Balance-December 31, 1994.....	\$ 3.94-\$50.00	2,268,294	2,491,965
Exercisable at December 31, 1994..	\$ 3.94-\$47.75	435,954	

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, 1994 and 1993 was \$35.9 million and \$31.0 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 Plan

Approximately 2,600 of Promus' employees are covered by union sponsored, collectively bargained multi-employer pension plans. Promus contributed and charged to expense \$1.9 million, \$2.0 million and \$1.8 million in 1994, 1993 and 1992, respectively, for such plans. The plans' administrators do not provide sufficient information to enable Promus to determine its share, if any, of unfunded vested benefits.

NOTE 15--NONCONSOLIDATED AFFILIATES

Harrah's Jazz Company

A Promus subsidiary owns an approximate 53% equity interest in Harrah's Jazz Company (Harrah's Jazz), the partnership developing the sole land-based casino permitted by law to operate in Orleans Parish, Louisiana. One of Promus' partners in Harrah's Jazz has an option to purchase an additional equity interest of approximately 14.6% from Promus for \$33.3 million at any time until 120 days after opening of the temporary casino. Due to the existence of this option and its likelihood of being exercised, Promus' ownership of a majority interest in Harrah's Jazz is expected to be temporary. As a result, Harrah's Jazz is not consolidated into Promus' financial statements.

Summarized balance sheet and income statement information for Harrah's Jazz, which Promus accounted for using the equity method, as of December 31, 1994 and 1993, and for the period from

THE PROMUS COMPANIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, UNLESS OTHERWISE STATED)

NOTE 15--NONCONSOLIDATED AFFILIATES (CONTINUED)

November 29, 1993 (date of inception) through December 31, 1993, and the year ended December 31, 1994 were as follows:

	1994	1993
	-----	-----
Summarized Balance Sheet Information		
Current assets.....	\$454,295	\$ 347
Land, buildings and equipment, net.....	69,608	47,887
Other assets.....	141,488	39,539
	-----	-----
Total assets.....	665,391	87,773
	-----	-----
Current liabilities.....	23,894	4,358
Long-term debt.....	510,000	65,376
	-----	-----
Total liabilities.....	533,894	69,734
	-----	-----
Net assets.....	\$131,497	\$18,039
	-----	-----

	YEAR ENDED DECEMBER 31, 1994	INCEPTION THROUGH DECEMBER 31, 1993
	-----	-----
Summarized Statements of Operations		
Revenues.....	\$ 291	\$ 50
	-----	-----
Operating loss.....	\$ (23,891)	\$ (6,167)
	-----	-----
Net loss.....	\$ (29,201)	\$ (6,302)
	-----	-----

The estimated cost of the project is \$815 million, of which approximately \$251 million had been incurred as of December 31, 1994, and is being financed through a combination of partner capital contributions, public debt securities, bank debt and operating cash flow from the temporary casino to be operated by Harrah's Jazz during construction of the permanent casino. If the funds available from these sources are insufficient to meet the costs of developing, constructing and opening the temporary and permanent casinos, Promus has agreed to loan Harrah's Jazz the funds necessary to complete the project, subject to certain important conditions and exceptions, in exchange for a \$12.2 million fee to be paid by Harrah's Jazz.

Other

Condensed financial information relating to a foreign casino property currently under development and a restaurant subsidiary has not been presented since their operating results and financial position are not material to Promus either individually or in the aggregate.

THE PROMUS COMPANIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, UNLESS OTHERWISE STATED)

NOTE 15--NONCONSOLIDATED AFFILIATES (CONTINUED)

Promus' share of nonconsolidated affiliates' net income (losses), including Harrah's Jazz, is reflected in the accompanying Consolidated Statements of Income as follows:

	1994	1993	1992
	-----	-----	-----
Pre-interest operating (loss) income (included in Revenue-other).....	\$(10,535)	\$ 89	\$(167)
	-----	-----	-----
Interest expense (included in Interest expense).....	\$ (1,959)	\$ -	\$ -
	-----	-----	-----
Promus' investments in and advances to nonconsolidated affiliates			
At Equity:			
Harrah's Jazz.....	\$ 74,385	\$ 8,154	
Other.....	18,320	228	
At cost.....	24,227	23,499	
	-----	-----	
	\$116,932	\$31,881	
	-----	-----	
	-----	-----	

During 1993, an equity investee 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 by an amount equal to its pro-rata share of the proceeds of the investee'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 fell below 20% and, accordingly, the investment is no longer accounted for on the equity method.

THE PROMUS COMPANIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, UNLESS OTHERWISE STATED)

NOTE 16--SUMMARIZED FINANCIAL INFORMATION

Embassy is a wholly owned subsidiary and the principal asset of Promus. Summarized financial information of Embassy as of December 31, 1994 and 1993 and for each of the three fiscal years ended December 31, 1994, prepared on the same basis as Promus, was as follows:

	1994	1993	1992
Current assets.....	\$ 171,445	\$ 141,494	
Land, buildings, riverboats and equipment, net.....	1,129,841	1,001,502	
Net assets of discontinued hotel operations.....	143,008	180,522	
Other assets.....	293,015	205,188	
	1,737,309	1,528,706	
Current liabilities.....	280,295	202,496	
Long-term debt.....	727,492	665,159	
Other liabilities.....	74,043	98,178	
Minority interest.....	18,267	14,336	
	1,100,097	980,169	
Net assets.....	\$ 637,212	\$ 548,537	
Revenues.....	\$1,337,110	\$1,018,776	\$890,650
Operating income.....	\$ 267,742	\$ 207,931	\$160,056
Income from continuing operations.....	\$ 49,044	\$ 74,867	\$ 49,577
Net income.....	\$ 77,430	\$ 85,167	\$ 52,184

The agreements governing the terms of Promus' debt contain certain covenants which, among other things, place limitations on Embassy's ability to pay dividends and make other restricted payments, as defined, to Promus. 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 \$628.0 million at December 31, 1994.

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.

MICHAEL D. ROSE
Chairman of the Board

MICHAEL N. REGAN
Vice President, Controller and
Chief Accounting Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To 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, 1994 and 1993, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years ended December 31, 1994. 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, 1994 and 1993 and the results of its operations and its cash flows for each of the three years ended December 31, 1994, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed under Item 14(a)2 on page 79 are the responsibility of Promus' 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.

As explained in Note 4 to the consolidated financial statements, effective January 1, 1994, Promus changed its method of accounting for preopening costs.

ARTHUR ANDERSEN LLP

Memphis, Tennessee,
March 20, 1995.

THE PROMUS COMPANIES INCORPORATED

QUARTERLY RESULTS OF OPERATIONS
(UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FISCAL YEAR
	-----	-----	-----	-----	-----
1994					
Revenues.....	\$290,232	\$338,805	\$366,811	\$343,558	\$1,339,406
Operating income.....	62,038	77,227	75,851	54,071	269,187
Income from continuing operations.....	22,085	30,774	29,355	(32,230)(1)	49,984
Income from discontinued hotel operations.....	6,131	9,101	14,829	6,258	36,319
Net income.....	20,284	39,876	44,183	(25,972)(1)	78,371
Earnings (loss) per share (2):					
Continuing operations.....	0.22	0.30	0.29	(0.31)(1)	0.49
Discontinued operations, net.....	0.06	0.09	0.14	0.06	0.35
Net income (loss).....	0.20	0.39	0.43	(0.25)(1)	0.76
1993					
Revenues.....	\$210,058	\$253,081	\$289,704	\$267,802	\$1,020,645
Operating income.....	31,345	52,798	74,922	50,968	210,033
Income from continuing operations.....	5,599	19,830	30,112	19,326	74,867
Income from discontinued hotel operations.....	6,367	2,983	6,946	630	16,926
Net income.....	10,956	22,499	32,935	19,956	86,346
Earnings per share (2)(3):					
Continuing operations.....	0.06	0.19	0.29	0.19	0.73
Discontinued operations, net.....	0.06	0.03	0.07	-	0.16
Net income.....	0.11	0.22	0.32	0.19	0.84

(1) Fourth quarter 1994 includes a \$53.4 million provision for settlement of litigation and related costs (see Note 13).

(2) 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.

(3) Retroactively adjusted for stock splits (see Note 5).

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 in the subsection "Nominees" under "Election of Promus Directors" in the Proxy Statement which subsection is incorporated herein by reference.

EXECUTIVE OFFICERS

See "Executive Officers of the Registrant" on page 38 in Part I hereof.

ITEM 11. EXECUTIVE COMPENSATION.

See the information set forth in the subsections "Compensation of Directors", "Executive Officer Compensation" and "Certain Employment Arrangements" under "Election of Promus Directors" in the Proxy Statement which subsections are incorporated herein by reference.

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

See the information set forth in the subsection "Ownership of Promus Securities" under "Election of Directors" in the Proxy Statement which subsection is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

See the information set forth in the subsection "Certain Transactions" under "Election of Directors" in the Proxy Statement which subsection 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, 1994 and 1993.

Consolidated Statements of Income for the Fiscal Years Ended December 31, 1994, 1993 and 1992.

Consolidated Statements of Stockholders' Equity for the Fiscal Years Ended December 31, 1994, 1993 and 1992.

Consolidated Statements of Cash Flows for the Fiscal Years Ended December 31, 1994, 1993 and 1992.

2. Schedules for the fiscal years ended December 31, 1994, 1993 and 1992, are as follows:

NO.

- I -Condensed financial information of registrant
- II -Valuation and qualifying accounts

Schedules III, IV, and V are not applicable and have therefore been omitted.

3. Exhibits (footnotes appear on pages 86 and 87):

NO.

- 3(1) -Certificate of Incorporation of The Promus Companies Incorporated; Certificate of Amendment of Certificate of Incorporation of The Promus Companies Incorporated dated April 29, 1994. (25)
- 3(2) -Bylaws of The Promus Companies Incorporated, as amended April 29, 1994. (25)
- 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) -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(3) -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(4) -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(5) -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(6) -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(7) -Interest Swap Agreement between Bank of America National Trust and Savings Association and Embassy Suites, Inc. dated May 14, 1993. (6)
- 4(8) -Interest Swap Agreement between NationsBank of North Carolina, N.A. and Embassy Suites, Inc. dated May 18, 1993. (6)
- 4(9) -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)

NO.

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- 4(10) -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(11) -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(12) -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(13) -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)
 - **4(14) -Interest Swap Agreement between Bank of America National Trust and Savings Association and Embassy Suites, Inc. dated January 25, 1995.
 - **4(15) -Interest Swap Agreements between NationsBank, N.A. (Carolinas) and Embassy Suites, Inc. dated January 25, 1995.
 - **4(16) -Interest Swap Agreement between The Bank of Nova Scotia and Embassy Suites, Inc. dated January 25, 1995 and amended February 2, 1995.
 - **4(17) -Interest Swap Agreement between The Bank of Nova Scotia and Embassy Suites, Inc. dated March 16, 1995.
 - **4(18) -Interest Swap Agreement between NationsBank, N.A. (Carolinas) and Embassy Suites, Inc. dated March 16, 1995.
 - 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)

** 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(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 Inn. (7)
- 10(20) -Form of License Agreement for Hampton Inn revised 1988. (8)
- 10(21) -Form of License Agreement for Hampton Inn revised 1991. (15)
- 10(22) -Form of License Agreement for Hampton Inn 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)

+ 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. (24)
 - 10(35) -Form of License Agreement for Embassy Suites revised 1993. (24)
 - 10(36) -Form of Short-Term License Agreement for Embassy Suites revised 1993. (24)
 - 10(37) -Form of License Agreement for Hampton Inn revised 1993. (24)
 - 10(38) -Form of License Agreement for Hampton Inn & Suites. (24)
 - **10(39) -Form of License Agreement for Embassy Suites revised 1994.
 - **10(40) -Form of Short-Term License Agreement for Embassy Suites revised 1994.
 - **10(41) -Form of License Agreement for Hampton Inn revised 1994.
 - **10(42) -Form of License Agreement for Hampton Inn & Suites revised 1994.
 - **10(43) -Form of License Agreement for Homewood Suites revised 1994.
 - 10(44) -Management Agreement dated as of December 17, 1986, between Hampton Inns, Inc. and Hampton/GHI Associates No. 1. (10)
 - 10(45) -Form of Management Agreement between Embassy Suites, Inc. and affiliates of General Electric Pension Trust. (10)
 - +10(46) -Employment Agreement dated as of February 26, 1994, and effective April 29, 1994, between The Promus Companies Incorporated and Michael D. Rose. (26)
 - +10(47) -Amended and Restated Severance Agreement dated as of May 1, 1992 between The Promus Companies Incorporated and Michael D. Rose. (18)
 - +10(48) -Summary Plan Description of Executive Term Life Insurance Plan. (18)
 - +10(49) -Forms of Stock Option (1990 Stock Option Plan). (12)
 - +10(50) -Revised Forms of Stock Option (1990 Stock Option Plan). (18)
 - +10(51) -Form of The Promus Companies Incorporated's Annual Bonus Plan, as amended, for Managers and Executives. (13)
 - +10(52) -Forms of Restricted Stock Award (1990 Restricted Stock Plan). (12)
 - +10(53) -Deferred Compensation Plan dated October 16, 1991. (15)
 - +10(54) -Form of Deferred Compensation Agreement. (12)
 - +10(55) -Form of Deferred Compensation Agreement revised November 1991. (15)
 - +10(56) -Executive Deferred Compensation Plan. (12)
 - +10(57) -First Amendment to Executive Deferred Compensation Plan, dated as of October 25, 1990. (13)
 - +10(58) -Second Amendment to Executive Deferred Compensation Plan, dated as of October 25, 1991. (15)
 - +10(59) -Third Amendment to Executive Deferred Compensation Plan, dated as of October 29, 1992. (18)
 - +10(60) -Forms of Restricted Stock Award (1990 Restricted Stock Plan). (18)
 - +10(61) -First Amendment to Escrow Agreement dated January 31, 1990 among Holiday Corporation, certain subsidiaries thereof and Sovran Bank, as escrow agent. (12)
 - +10(62) -Escrow Agreement dated February 6, 1990 between The Promus Companies Incorporated, certain subsidiaries thereof, and Sovran Bank, as escrow agent. (12)
 - +10(63) -Form of Amended and Restated Severance Agreement dated November 5, 1992, entered into with Charles A. Ledsinger, Jr., Ben C. Peterzell, Philip G. Satre and Colin V. Reed. (18)

** 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.

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- +10(64) -Form of memorandum agreement dated July 2, 1991, eliminating stock appreciation rights under stock options held by Charles A. Ledsinger, Jr., Ben C. Peterzell and Philip G. Satre. (14)
 - +10(65) -The Promus Companies Incorporated Amended and Restated Savings and Retirement Plan dated as of February 6, 1990. (18)
 - +10(66) -Administrative Regulations, Long Term Compensation Plan (Restricted Stock Plan and Stock Option Plan), dated as of January 1, 1992. (17)
 - +10(67) -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(68) -Revised Form of Stock Option. (21)
 - +10(69) -The Promus Companies Incorporated 1990 Stock Option Plan (as amended as of April 30, 1993). (20)
 - 10(70) -Limited Partnership Agreement of Des Plaines Development 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 Development Partnership dated as of October 5, 1992. (24)
 - +10(71) -Amendment to Escrow Agreement dated as of October 29, 1993 among The Promus Companies Incorporated, certain subsidiaries thereof, and NationsBank, formerly Sovran Bank. (24)
 - 10(72) -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. (24)
 - 10(73) -Second Amendment dated March 31, 1994 to the Amended and Restated Partnership Agreement of Harrah's Jazz Company. (25)
 - +10(74) -The Promus Companies Incorporated 1990 Stock Option Plan, as amended April 29, 1994. (25)
 - +10(75) -Amendment, dated February 25, 1994 and effective April 29, 1994, to Amended and Restated Severance Agreement dated November 5, 1992, between The Promus Companies Incorporated and Philip G. Satre. (26)
 - +10(76) -The Promus Companies Incorporated 1990 Stock Option Plan, as amended July 29, 1994. (26)
 - +10(77) -Amendment dated May 27, 1994 to The Promus Companies Incorporated Savings and Retirement Plan. (26)
 - +10(78) -Employment Agreement dated as of February 25, 1994, and effective April 29, 1994, between The Promus Companies Incorporated and Philip G. Satre including exhibits thereto. (27)
 - +10(79) -Amendment dated as of August 31, 1994 to The Promus Companies Incorporated Savings and Retirement Plan. (27)
 - 10(80) -Consent dated as of October 7, 1994, among The Promus Companies Incorporated, Embassy Suites, Inc., the Banks and Agents parties thereto, Marina Associates and Bankers Trust Company, as Administrative Agent. (27)
 - 10(81) -Amended and Restated Third Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company. (16)
 - 10(82) -Fourth Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company. (16)

+ 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(83) -Indenture dated as of November 15, 1994 between Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Trustee for the First Mortgage Notes including form of First Mortgage Note. (16)
 - 10(84) -Intercreditor Agreement between the Bank Lenders and the First National Bank of Commerce as Trustee dated as of November 15, 1994. (16)
 - 10(85) -Notes Completion Guarantee among Embassy Suites, Inc., The Promus Companies Incorporated and First National Bank of Commerce as Trustee dated as of November 16, 1994. (16)
 - 10(86) -Cash Collateral and Disbursement Agreement among First National Bank of Commerce as Trustee, First National Bank of Commerce as Collateral Agent, Harrah's Jazz Company and Harrah's Jazz Finance Corp., dated November 16, 1994. (16)
 - 10(87) -Collateral Mortgage Note by Harrah's Jazz Company dated November 15, 1994. (16)
 - 10(88) -Act of Collateral Mortgage and Collateral Assignment of Proceeds by Harrah's Jazz Company dated November 15, 1994. (16)
 - 10(89) -Act of Collateral Assignment of Leases and Rents between Harrah's Jazz Company and First National Bank of Commerce as Collateral Agent dated November 15, 1994. (16)
 - 10(90) -Act of Security Agreement and Pledge between Harrah's Jazz Company and First National Bank of Commerce as Collateral Agent dated November 15, 1994. (16)
 - 10(91) -Pledge Agreement between Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Collateral Agent dated as of November 16, 1994. (16)
 - 10(92) -Security Agreement among Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Collateral Agent dated as of November 16, 1994. (16)
 - 10(93) -Security Agreement (Cash Collateral) among Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Trustee dated November 16, 1994. (16)
 - 10(94) -Manager Subordination Agreement (First Mortgage Notes) among Harrah's Jazz Company, Harrah's New Orleans Management Company and First National Bank of Commerce as Trustee dated as of November 16, 1994. (16)
 - 10(95) -Consultant Subordination Agreement (First Mortgage Notes) among Harrah's Jazz Company, Grand Palais Management Company, New Orleans/Louisiana Development Corporation and First National Bank of Commerce as Trustee dated as of November 16, 1994. (16)
 - 10(96) -Completion Guarantor Subordination Agreement (First Mortgage Notes) among Harrah's Jazz Company, The Promus Companies Incorporated, Embassy Suites, Inc. and First National Bank of Commerce as Trustee dated as of November 16, 1994. (16)
 - 10(97) -Amended Lease Agreement between Rivergate Development Corporation, as Landlord and Harrah's Jazz Company, as Tenant and City of New Orleans, as Intervenor dated March 15, 1994. (28)
 - 10(98) -Amended General Development Agreement between Rivergate Development Corporation and Harrah's Jazz Company and City of New Orleans, as Intervenor dated March 15, 1994. (4)
 - 10(99) -Temporary Casino Lease between Rivergate Development Corporation, as Landlord and Harrah's Jazz Company, as Tenant and City of New Orleans, as Intervenor dated March 15, 1994. (4)
 - 10(100) -Amendment to Amended Lease Agreement between Rivergate Development Corporation, as Landlord and Harrah's Jazz Company, as Tenant and City of New Orleans, as Intervenor dated October 5, 1994. (28)

NO.

- 10(101) -Agreement between City of New Orleans and Harrah's Jazz Company, dated October 5, 1994 (the "Separate City Agreement"). (28)
- 10(102) -Agreement among Rivergate Development Corporation, City of New Orleans and Embassy Suites, Inc. and Harrah's Jazz Company, as intervenor, dated October 5, 1994 (the "Embassy Access Agreement"). (28)
- 10(103) -Casino Operating Contract between the Louisiana Economic Development and Gaming Corporation and Harrah's Jazz Company dated July 15, 1994. (4)
- 10(104) -First Amendment to Casino Operating Contract between the Louisiana Economic Development and Gaming Corporation and Harrah's Jazz Company dated August 31, 1994. (28)
- 10(105) -Amended and Restated Management Agreement between Harrah's New Orleans Management Company and Harrah's Jazz Company dated March 14, 1994. (4)
- 10(106) -Construction Agreement between Harrah's Jazz Company and Centex Landis Construction Co., Inc. dated October 10, 1994, for the construction of the Permanent Casino. (28)
- 10(107) -Construction Agreement between Harrah's Jazz Company and Harvey Honore Construction Company, Inc. and Broadmoor dated October 10, 1994, for the construction of the Temporary Casino. (28)
- 10(108) -Design and Construction Agreement between Harrah's Jazz Company and Broadmoor dated October 10, 1994, for the construction of the parking structure. (28)
- 10(109) -Credit Agreement among Harrah's Jazz Company, Harrah's Jazz Finance Corp., Various Banks, and Bankers Trust Company as Administrative Agent dated as of November 8, 1994. (16)
- 10(110) -Owner's Policy issued March 16, 1994 by First American Title Insurance Company to Harrah's Jazz Company with attachments. (16)
- 10(111) -Lender's Title Insurance Policy issued November 16, 1994 by First American Title Insurance Company together with reinsurance agreements. (16)
- 10(112) -Completion Loan Agreement among Harrah's Jazz Company, Embassy Suites, Inc., The Promus Companies Incorporated, New Orleans/Louisiana Development Corporation, Grand Palais Casino, Inc., and Grand Palais Management Company, L.L.C. dated October 12, 1994. (23)
- 10(113) -Construction Lien Indemnity Obligation Agreement between Harrah's Jazz Company and Embassy Suites, Inc. dated October 12, 1994. (23)
- 10(114) -First Amendment to the Construction Lien Indemnity Obligation Agreement. (16)
- 10(115) -Option Agreement between Harrah's New Orleans Investment Company and New Orleans/Louisiana Development Corporation dated November 8, 1994. (16)
- 10(116) -Option Agreement between Harrah's New Orleans Investment Company and Grand Palais Casino, Inc. dated November 8, 1994. (16)
- 10(117) -Put Agreement between Harrah's New Orleans Investment Company and New Orleans/Louisiana Development Corporation dated November 8, 1994. (16)
- 10(118) -Put Agreement between Harrah's New Orleans Investment Company and Grand Palais Casino, Inc. dated November 8, 1994. (16)
- 10(119) -Underwriting Agreement among Donaldson, Lufkin & Jenrette Securities Corporation, Salomon Brothers Inc, BT Securities Corporation, Harrah's Jazz Company and Harrah's Jazz Finance Corp. dated November 9, 1994. (16)
- 10(120) -Specimen form of 14 1/4% First Mortgage Note Due 2001 of Harrah's Jazz Company and Harrah's Jazz Finance Corp. (16)
- 10(121) -Manager Subordination Agreement (Credit Agreement) between Harrah's New Orleans Management Company and Bankers Trust Company as Administrative Agent dated as of November 16, 1994. (16)

NO.

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- 10(122) -Bank Completion Guaranty among Embassy Suites, Inc., The Promus Companies Incorporated and Bankers Trust Company as Administrative Agent dated as of November 16, 1994. (16)
 - 10(123) -Bank Disbursement and Security Agreement among Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Collateral Agent dated as of November 16, 1994. (16)
 - 10(124) -Completion Guaranty by The Promus Companies Incorporated and Embassy Suites, Inc. dated as of November 16, 1994 in favor of the Louisiana Economic Development and Gaming Corporation. (16)
 - ***10(125) -Revised Form of Stock Option (1990 Stock Option Plan).
 - ***10(126) -Revised Forms of Restricted Stock Award (1990 Stock Option Plan).
 - ***10(127) -Administrative Regulations, Long Term Compensation Plan (Restricted Stock Plan and Stock Option Plan) dated as of February 24, 1995.
 - ***10(128) -Form of Agreement to Cancel Options dated as of December 16, 1994 entered into with Michael D. Rose, Philip G. Satre, Charles A. Ledsinger, Jr., Ben C. Peternell, Colin V. Reed, E. O. Robinson, Jr. and John M. Boushy.
 - **11 -Computation of per share earnings.
 - **12 -Computations of ratios.
 - **21 -List of subsidiaries of The Promus Companies Incorporated.
 - **27 -Financial Data Schedule
 - 99(1) -Proxy Statement--Information Statement--Prospectus dated December 13, 1989 of Holiday Corporation, The Promus Companies Incorporated and Bass Public Limited Company. (12)

** 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 Amendment No. 3 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed August 4, 1994.
- (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 Harrah's Jazz Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, filed December 21, 1994, File No. .
- (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. 5 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed October 26, 1994.
- (24) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, filed March 28, 1994, File No. 1-10410.
- (25) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994, filed May 12, 1994, File No. 1-10410.
- (26) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, filed August 11, 1994, File No. 1-10410.
- (27) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, filed November 14, 1994, File No. 1-10410.
- (28) Incorporated by reference from Amendment No. 4 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed October 12, 1994.

(b) No Reports on Form 8-K were filed during the fourth quarter of 1994 and thereafter through March 20, 1995.

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 21, 1995

By: MICHAEL D. ROSE

 (Michael D. Rose, Chairman)

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 21, 1995
SUSAN CLARK-JACKSON (Susan Clark-Jackson)	Director	March 21, 1995
JAMES B. FARLEY (James B. Farley)	Director	March 21, 1995
JOE M. HENSON (Joe M. Henson)	Director	March 21, 1995
MICHAEL D. ROSE (Michael D. Rose)	Director and Chairman	March 21, 1995
WALTER J. SALMON (Walter J. Salmon)	Director	March 21, 1995
PHILIP G. SATRE (Philip G. Satre)	Director, President and Chief Executive Officer	March 21, 1995
BOAKE A. SELLS (Boake A. Sells)	Director	March 21, 1995
RONALD TERRY (Ronald Terry)	Director	March 21, 1995
EDDIE N. WILLIAMS (Eddie N. Williams)	Director	March 21, 1995
SHIRLEY YOUNG (Shirley Young)	Director	March 21, 1995
CHARLES A. LEDSINGER, JR. (Charles A. Ledsinger, Jr.)	Chief Financial Officer	March 21, 1995
MICHAEL N. REGAN (Michael N. Regan)	Controller and Principal Accounting Officer	March 21, 1995

SCHEDULE I

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

	DECEMBER 31,	
	1994	1993
ASSETS		
Cash.....	\$ -	\$ -
Investments in and advances to subsidiaries (eliminated in consolidation).....	480,520	355,185
Net assets of discontinued hotel operations.....	143,008	180,522
Organizational costs.....	31	302
	-----	-----
	\$623,559	\$536,009
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accrued taxes, including federal income taxes.....	\$ 122	\$ (28)
	-----	-----
Commitments and contingencies (Notes 4, 5, 10 and 11)		
Stockholders' equity		
Common stock, \$0.10 par value, authorized-360,000,000 shares, outstanding-102,402,619 and 102,258,442 shares (net of 37,172 and 25,251 shares held in treasury).....	10,240	10,226
Capital surplus.....	350,196	344,197
Retained earnings.....	265,574	187,203
Deferred compensation related to restricted stock.....	(2,573)	(5,589)
	-----	-----
	623,437	536,037
	-----	-----
	\$623,559	\$536,009
	-----	-----

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

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

	FISCAL YEAR ENDED DECEMBER		
	31,		
	1994	1993	1992
	-----	-----	-----
Revenues.....	\$ -	\$ -	\$ -
Costs and expenses.....	466	319	458
	-----	-----	-----
Loss before income taxes and equity in subsidiaries' continuing earnings.....	(466)	(319)	(458)
Income tax benefit.....	163	112	155
	-----	-----	-----
Loss before equity in subsidiaries' continuing earnings.....	(303)	(207)	(303)
Equity in subsidiaries' continuing earnings.....	50,287	75,074	49,880
	-----	-----	-----
Income from continuing operations.....	49,984	74,867	49,577
Equity in subsidiaries' income from discontinued operations....	36,319	16,926	1,841
	-----	-----	-----
Income before extraordinary items and cumulative effect of change in accounting policy.....	86,303	91,793	51,418
Extraordinary items, net of tax benefit (provision) of \$3,415 and \$(753) (Note 8).....	-	(5,447)	1,074
Cumulative effect of change in accounting policy, net of tax benefit of \$4,317 (Note 9).....	(7,932)	-	-
	-----	-----	-----
Net income.....	\$78,371	\$86,346	\$52,492
	-----	-----	-----

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

SCHEDULE I (CONTINUED)

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

	FISCAL YEAR ENDED DECEMBER 31,		
	1994	1993	1992
Cash flows from operating activities			
Net income.....	\$ 78,371	\$ 86,346	\$ 52,492
Adjustment to reconcile net income to cash flows from operating activities			
Equity in subsidiaries' income from discontinued operations.....	(36,319)	(16,926)	(1,841)
Extraordinary items.....	-	8,862	(1,827)
Cumulative effect of change in accounting policy, before income taxes.....	13,924	-	-
Amortization.....	271	271	265
Equity in undistributed continuing earnings of subsidiaries.....	(50,287)	(75,074)	(49,880)
Dividend received from subsidiary.....	-	-	500
Net change in working capital accounts.....	(5,960)	(3,479)	791
Cash flows from operating activities.....	-	-	500
Cash flows used in investing activities			
Advances and capital contributions to subsidiaries.....	-	-	(500)
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

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.

On January 30, 1995, Promus announced a planned spin-off, expected to be completed by the end of second quarter 1995, that will split the company into two independent public corporations, one for conducting its casino entertainment business and one for conducting its hotel business. Promus, which is expected to be renamed Harrah's Entertainment, Inc., will retain ownership of the casino entertainment business. Promus' hotel operations, which include the Embassy Suites, Hampton Inn and Homewood Suites hotel brands, will be transferred to a new entity, expected to be named Promus Hotel Corporation (PHC), the stock of which is to be distributed to Promus' stockholders on a one-for-two basis (the PHC Spin-off). As a result of this announcement, Promus' historical financial statements have been restated to reflect the hotel business as discontinued operations. The PHC Spin-off is subject to a number of conditions, including regulatory, bondholder, bank lender and other third party consents, receipt of an opinion from outside legal counsel regarding the tax-free status of the transaction, market conditions, final approval of the Board of Directors and stockholder approval.

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, 1994 and 1993 was \$13.4 million and \$12.8 million, respectively, and is included in investments in and advances to subsidiaries on the balance sheet. 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 April 29, 1994, Promus' stockholders approved an amendment to the Certificate of Incorporation which increased the number of authorized common shares from 120 million to 360 million and reduced the par value per common share from \$1.50 to \$0.10. As a result, previously reported amounts

THE PROMUS COMPANIES INCORPORATED
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
NOTES TO FINANCIAL STATEMENTS

NOTE 6--STOCKHOLDERS' EQUITY (CONTINUED)

for the prior year in the consolidated condensed balance sheets have been restated to reclassify amounts from common stock to capital surplus to retroactively reflect the impact of the change in par value.

On October 29, 1993, Promus' Board of Directors approved a three-for-two stock split, in the form of a stock dividend, effected by a distribution on November 29, 1993, of one additional share for each two shares owned by stockholders of record on November 8, 1993. This October 1993 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 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.

During 1993 an equity investee 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 by an amount equal to its pro-rata share of the proceeds of the investee'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 increased 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.

NOTE 8--EXTRAORDINARY ITEMS

Promus' equity in Embassy's net extraordinary items for fiscal 1993 and 1992 were 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 discontinuing of debt at extinguishment....	-	3,032
	-----	-----
Income tax benefit (provision).....	(8,862)	1,827
	3,415	(753)
	-----	-----
Extraordinary items, net of income taxes.....	\$(5,447)	\$ 1,074
	-----	-----
	-----	-----

THE PROMUS COMPANIES INCORPORATED
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
NOTES TO FINANCIAL STATEMENTS

NOTE 9--CHANGE IN ACCOUNTING POLICY

Effective January 1, 1994, Promus changed its accounting policy relating to preopening costs incurred during development of new casino entertainment and hotel projects. Promus' new policy is to defer preopening costs as incurred prior to opening and to expense them upon opening of each project. Previously, Promus had capitalized such costs and amortized them to expense over 36 months from the date of opening. As a result of this change, operating results for the year ended December 31, 1994, reflect the cumulative charge against earnings, net of income taxes, of \$7.9 million, or \$0.08 per share, to write off the unamortized preopening costs related to projects opened in prior years.

NOTE 10--COMMITMENTS AND CONTINGENCIES

A Promus subsidiary is one of three partners in Harrah's Jazz Company (Harrah's Jazz), a partnership developing a land-based casino entertainment facility in New Orleans, Louisiana. The estimated cost of the project is \$815 million, of which approximately \$251 million had been incurred as of December 31, 1994, is being financed through a combination of partner capital contributions, public debt securities, bank debt and operating cash flow from a temporary casino to be operated by Harrah's Jazz during construction of the permanent casino. If the funds available from these sources are insufficient to meet the costs of developing, construction and opening the temporary and permanent casinos, Promus has agreed to loan Harrah's Jazz the funds necessary to complete the project, subject to certain important conditions and exceptions, in exchange for a \$12.2 million fee to be paid by Harrah's Jazz.

NOTE 11--LITIGATION

In March 1995, Promus entered into a settlement agreement (the Settlement) with Bass PLC (Bass) of all claims related to the Merger Agreement and Tax Sharing Agreement from the 1990 Spin-off of Promus and acquisition of the Holiday Inn hotel business by Bass. As a result of the Settlement, which is subject to approval of the court, a charge of \$53.4 million was recorded in 1994 on the books of Embassy to accrue the estimated cost of the settlement, the related legal fees and other associated expenses.

SCHEDULE II

THE PROMUS COMPANIES INCORPORATED
 CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

(IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS		DEDUCTIONS FROM RESERVES	BALANCE AT CLOSE OF PERIOD
		CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS		
FISCAL YEAR ENDED DECEMBER 31, 1994					
Allowance for doubtful accounts Current.....	\$ 9,252	\$ 5,731	\$ -	\$ 5,432(A)	\$ 9,551
Long-term.....	\$ -	\$ 75	\$ -	\$ -	\$ 75
Allowance for losses on property dispositions.....	\$ 11,000	\$ 231	\$ -	\$ -	\$ 11,231
Insurance allowances and reserves.....	\$ 39,859	\$ 52,908	\$ -	\$ 43,319	\$ 49,448
FISCAL YEAR ENDED DECEMBER 31, 1993					
Allowance for doubtful accounts, current.....	\$ 9,617	\$ 4,673	\$ -	\$ 5,038(A)	\$ 9,252
Allowance for losses on property dispositions.....	\$ 11,000	\$ -	\$ -	\$ -	\$ 11,000
Insurance allowances and reserves.....	\$ 31,371	\$ 46,333	\$ -	\$ 37,845	\$ 39,859
FISCAL YEAR ENDED DECEMBER 31, 1992					
Allowance for doubtful accounts, current.....	\$ 10,727	\$ 5,211	\$ -	\$ 6,321(A)	\$ 9,617
Allowance for losses on property dispositions.....	\$ 11,000	\$ -	\$ -	\$ -	\$ 11,000
Insurance allowances and reserves.....	\$ 28,432	\$ 45,048	\$ -	\$ 42,109	\$ 31,371

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

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated March 20, 1995, included in this Form 10-K for the year ended December 31, 1994, into the Company's previously filed Registration Statements File Nos. 33-32863, 33-32864 and 33-32865.

ARTHUR ANDERSEN LLP

Memphis, Tennessee,
March 20, 1995.

EXHIBIT INDEX

NO.

- 3(1) -Certificate of Incorporation of The Promus Companies Incorporated; Certificate of Amendment of Certificate of Incorporation of The Promus Companies Incorporated dated April 29, 1994. (25)
- 3(2) -Bylaws of The Promus Companies Incorporated, as amended April 29, 1994. (25)
- 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) -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(3) -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(4) -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(5) -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(6) -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(7) -Interest Swap Agreement between Bank of America National Trust and Savings Association and Embassy Suites, Inc. dated May 14, 1993. (6)
- 4(8) -Interest Swap Agreement between NationsBank of North Carolina, N.A. and Embassy Suites, Inc. dated May 18, 1993. (6)
- 4(9) -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)

NO.

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- 4(10) -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(11) -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(12) -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(13) -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)
 - **4(14) -Interest Swap Agreement between Bank of America National Trust and Savings Association and Embassy Suites, Inc. dated January 25, 1995.
 - **4(15) -Interest Swap Agreements between NationsBank, N.A. (Carolinas) and Embassy Suites, Inc. dated January 25, 1995.
 - **4(16) -Interest Swap Agreement between The Bank of Nova Scotia and Embassy Suites, Inc. dated January 25, 1995 and amended February 2, 1995.
 - **4(17) -Interest Swap Agreement between The Bank of Nova Scotia and Embassy Suites, Inc. dated March 16, 1995.
 - **4(18) -Interest Swap Agreement between NationsBank, N.A. (Carolinas) and Embassy Suites, Inc. dated March 16, 1995.
 - 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)

** 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.

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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 Inn. (7)
 - 10(20) -Form of License Agreement for Hampton Inn revised 1988. (8)
 - 10(21) -Form of License Agreement for Hampton Inn revised 1991. (15)
 - 10(22) -Form of License Agreement for Hampton Inn 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)

+ 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. (24)
 - 10(35) -Form of License Agreement for Embassy Suites revised 1993. (24)
 - 10(36) -Form of Short-Term License Agreement for Embassy Suites revised 1993. (24)
 - 10(37) -Form of License Agreement for Hampton Inn revised 1993. (24)
 - 10(38) -Form of License Agreement for Hampton Inn & Suites. (24)
 - **10(39) -Form of License Agreement for Embassy Suites revised 1994.
 - **10(40) -Form of Short-Term License Agreement for Embassy Suites revised 1994.
 - **10(41) -Form of License Agreement for Hampton Inn revised 1994.
 - **10(42) -Form of License Agreement for Hampton Inn & Suites revised 1994.
 - **10(43) -Form of License Agreement for Homewood Suites revised 1994.
 - 10(44) -Management Agreement dated as of December 17, 1986, between Hampton Inns, Inc. and Hampton/GHI Associates No. 1. (10)
 - 10(45) -Form of Management Agreement between Embassy Suites, Inc. and affiliates of General Electric Pension Trust. (10)
 - +10(46) -Employment Agreement dated as of February 26, 1994, and effective April 29, 1994, between The Promus Companies Incorporated and Michael D. Rose. (26)
 - +10(47) -Amended and Restated Severance Agreement dated as of May 1, 1992 between The Promus Companies Incorporated and Michael D. Rose. (18)
 - +10(48) -Summary Plan Description of Executive Term Life Insurance Plan. (18)
 - +10(49) -Forms of Stock Option (1990 Stock Option Plan). (12)
 - +10(50) -Revised Forms of Stock Option (1990 Stock Option Plan). (18)
 - +10(51) -Form of The Promus Companies Incorporated's Annual Bonus Plan, as amended, for Managers and Executives. (13)
 - +10(52) -Forms of Restricted Stock Award (1990 Restricted Stock Plan). (12)
 - +10(53) -Deferred Compensation Plan dated October 16, 1991. (15)
 - +10(54) -Form of Deferred Compensation Agreement. (12)
 - +10(55) -Form of Deferred Compensation Agreement revised November 1991. (15)
 - +10(56) -Executive Deferred Compensation Plan. (12)
 - +10(57) -First Amendment to Executive Deferred Compensation Plan, dated as of October 25, 1990. (13)
 - +10(58) -Second Amendment to Executive Deferred Compensation Plan, dated as of October 25, 1991. (15)
 - +10(59) -Third Amendment to Executive Deferred Compensation Plan, dated as of October 29, 1992. (18)
 - +10(60) -Forms of Restricted Stock Award (1990 Restricted Stock Plan). (18)
 - +10(61) -First Amendment to Escrow Agreement dated January 31, 1990 among Holiday Corporation, certain subsidiaries thereof and Sovran Bank, as escrow agent. (12)
 - +10(62) -Escrow Agreement dated February 6, 1990 between The Promus Companies Incorporated, certain subsidiaries thereof, and Sovran Bank, as escrow agent. (12)
 - +10(63) -Form of Amended and Restated Severance Agreement dated November 5, 1992, entered into with Charles A. Ledsinger, Jr., Ben C. Peterzell, Philip G. Satre and Colin V. Reed. (18)

** 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.

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- +10(64) -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(65) -The Promus Companies Incorporated Amended and Restated Savings and Retirement Plan dated as of February 6, 1990. (18)
 - +10(66) -Administrative Regulations, Long Term Compensation Plan (Restricted Stock Plan and Stock Option Plan), dated as of January 1, 1992. (17)
 - +10(67) -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(68) -Revised Form of Stock Option. (21)
 - +10(69) -The Promus Companies Incorporated 1990 Stock Option Plan (as amended as of April 30, 1993). (20)
 - 10(70) -Limited Partnership Agreement of Des Plaines Development 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 Development Partnership dated as of October 5, 1992. (24)
 - +10(71) -Amendment to Escrow Agreement dated as of October 29, 1993 among The Promus Companies Incorporated, certain subsidiaries thereof, and NationsBank, formerly Sovran Bank. (24)
 - 10(72) -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. (24)
 - 10(73) -Second Amendment dated March 31, 1994 to the Amended and Restated Partnership Agreement of Harrah's Jazz Company. (25)
 - +10(74) -The Promus Companies Incorporated 1990 Stock Option Plan, as amended April 29, 1994. (25)
 - +10(75) -Amendment, dated February 25, 1994 and effective April 29, 1994, to Amended and Restated Severance Agreement dated November 5, 1992, between The Promus Companies Incorporated and Philip G. Satre. (26)
 - +10(76) -The Promus Companies Incorporated 1990 Stock Option Plan, as amended July 29, 1994. (26)
 - +10(77) -Amendment dated May 27, 1994 to The Promus Companies Incorporated Savings and Retirement Plan. (26)
 - +10(78) -Employment Agreement dated as of February 25, 1994, and effective April 29, 1994, between The Promus Companies Incorporated and Philip G. Satre including exhibits thereto. (27)
 - +10(79) -Amendment dated as of August 31, 1994 to The Promus Companies Incorporated Savings and Retirement Plan. (27)
 - 10(80) -Consent dated as of October 7, 1994, among The Promus Companies Incorporated, Embassy Suites, Inc., the Banks and Agents parties thereto, Marina Associates and Bankers Trust Company, as Administrative Agent. (27)
 - 10(81) -Amended and Restated Third Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company. (16)
 - 10(82) -Fourth Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company. (16)

+ 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(83) -Indenture dated as of November 15, 1994 between Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Trustee for the First Mortgage Notes including form of First Mortgage Note. (16)
 - 10(84) -Intercreditor Agreement between the Bank Lenders and the First National Bank of Commerce as Trustee dated as of November 15, 1994. (16)
 - 10(85) -Notes Completion Guarantee among Embassy Suites, Inc., The Promus Companies Incorporated and First National Bank of Commerce as Trustee dated as of November 16, 1994. (16)
 - 10(86) -Cash Collateral and Disbursement Agreement among First National Bank of Commerce as Trustee, First National Bank of Commerce as Collateral Agent, Harrah's Jazz Company and Harrah's Jazz Finance Corp., dated November 16, 1994. (16)
 - 10(87) -Collateral Mortgage Note by Harrah's Jazz Company dated November 15, 1994. (16)
 - 10(88) -Act of Collateral Mortgage and Collateral Assignment of Proceeds by Harrah's Jazz Company dated November 15, 1994. (16)
 - 10(89) -Act of Collateral Assignment of Leases and Rents between Harrah's Jazz Company and First National Bank of Commerce as Collateral Agent dated November 15, 1994. (16)
 - 10(90) -Act of Security Agreement and Pledge between Harrah's Jazz Company and First National Bank of Commerce as Collateral Agent dated November 15, 1994. (16)
 - 10(91) -Pledge Agreement between Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Collateral Agent dated as of November 16, 1994. (16)
 - 10(92) -Security Agreement among Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Collateral Agent dated as of November 16, 1994. (16)
 - 10(93) -Security Agreement (Cash Collateral) among Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Trustee dated November 16, 1994. (16)
 - 10(94) -Manager Subordination Agreement (First Mortgage Notes) among Harrah's Jazz Company, Harrah's New Orleans Management Company and First National Bank of Commerce as Trustee dated as of November 16, 1994. (16)
 - 10(95) -Consultant Subordination Agreement (First Mortgage Notes) among Harrah's Jazz Company, Grand Palais Management Company, New Orleans/Louisiana Development Corporation and First National Bank of Commerce as Trustee dated as of November 16, 1994. (16)
 - 10(96) -Completion Guarantor Subordination Agreement (First Mortgage Notes) among Harrah's Jazz Company, The Promus Companies Incorporated, Embassy Suites, Inc. and First National Bank of Commerce as Trustee dated as of November 16, 1994. (16)
 - 10(97) -Amended Lease Agreement between Rivergate Development Corporation, as Landlord and Harrah's Jazz Company, as Tenant and City of New Orleans, as Intervenor dated March 15, 1994. (28)
 - 10(98) -Amended General Development Agreement between Rivergate Development Corporation and Harrah's Jazz Company and City of New Orleans, as Intervenor dated March 15, 1994. (4)
 - 10(99) -Temporary Casino Lease between Rivergate Development Corporation, as Landlord and Harrah's Jazz Company, as Tenant and City of New Orleans, as Intervenor dated March 15, 1994. (4)
 - 10(100) -Amendment to Amended Lease Agreement between Rivergate Development Corporation, as Landlord and Harrah's Jazz Company, as Tenant and City of New Orleans, as Intervenor dated October 5, 1994. (28)

NO.

- 10(101) -Agreement between City of New Orleans and Harrah's Jazz Company, dated October 5, 1994 (the "Separate City Agreement"). (28)
- 10(102) -Agreement among Rivergate Development Corporation, City of New Orleans and Embassy Suites, Inc. and Harrah's Jazz Company, as intervenor, dated October 5, 1994 (the "Embassy Access Agreement"). (28)
- 10(103) -Casino Operating Contract between the Louisiana Economic Development and Gaming Corporation and Harrah's Jazz Company dated July 15, 1994. (4)
- 10(104) -First Amendment to Casino Operating Contract between the Louisiana Economic Development and Gaming Corporation and Harrah's Jazz Company dated August 31, 1994. (28)
- 10(105) -Amended and Restated Management Agreement between Harrah's New Orleans Management Company and Harrah's Jazz Company dated March 14, 1994. (4)
- 10(106) -Construction Agreement between Harrah's Jazz Company and Centex Landis Construction Co., Inc. dated October 10, 1994, for the construction of the Permanent Casino. (28)
- 10(107) -Construction Agreement between Harrah's Jazz Company and Harvey Honore Construction Company, Inc. and Broadmoor dated October 10, 1994, for the construction of the Temporary Casino. (28)
- 10(108) -Design and Construction Agreement between Harrah's Jazz Company and Broadmoor dated October 10, 1994, for the construction of the parking structure. (28)
- 10(109) -Credit Agreement among Harrah's Jazz Company, Harrah's Jazz Finance Corp., Various Banks, and Bankers Trust Company as Administrative Agent dated as of November 8, 1994. (16)
- 10(110) -Owner's Policy issued March 16, 1994 by First American Title Insurance Company to Harrah's Jazz Company with attachments. (16)
- 10(111) -Lender's Title Insurance Policy issued November 16, 1994 by First American Title Insurance Company together with reinsurance agreements. (16)
- 10(112) -Completion Loan Agreement among Harrah's Jazz Company, Embassy Suites, Inc., The Promus Companies Incorporated, New Orleans/Louisiana Development Corporation, Grand Palais Casino, Inc., and Grand Palais Management Company, L.L.C. dated October 12, 1994. (23)
- 10(113) -Construction Lien Indemnity Obligation Agreement between Harrah's Jazz Company and Embassy Suites, Inc. dated October 12, 1994. (23)
- 10(114) -First Amendment to the Construction Lien Indemnity Obligation Agreement. (16)
- 10(115) -Option Agreement between Harrah's New Orleans Investment Company and New Orleans/Louisiana Development Corporation dated November 8, 1994. (16)
- 10(116) -Option Agreement between Harrah's New Orleans Investment Company and Grand Palais Casino, Inc. dated November 8, 1994. (16)
- 10(117) -Put Agreement between Harrah's New Orleans Investment Company and New Orleans/Louisiana Development Corporation dated November 8, 1994. (16)
- 10(118) -Put Agreement between Harrah's New Orleans Investment Company and Grand Palais Casino, Inc. dated November 8, 1994. (16)
- 10(119) -Underwriting Agreement among Donaldson, Lufkin & Jenrette Securities Corporation, Salomon Brothers Inc, BT Securities Corporation, Harrah's Jazz Company and Harrah's Jazz Finance Corp. dated November 9, 1994. (16)
- 10(120) -Specimen form of 14 1/4% First Mortgage Note Due 2001 of Harrah's Jazz Company and Harrah's Jazz Finance Corp. (16)
- 10(121) -Manager Subordination Agreement (Credit Agreement) between Harrah's New Orleans Management Company and Bankers Trust Company as Administrative Agent dated as of November 16, 1994. (16)

NO.

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- 10(122) -Bank Completion Guaranty among Embassy Suites, Inc., The Promus Companies Incorporated and Bankers Trust Company as Administrative Agent dated as of November 16, 1994. (16)
 - 10(123) -Bank Disbursement and Security Agreement among Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Collateral Agent dated as of November 16, 1994. (16)
 - 10(124) -Completion Guaranty by The Promus Companies Incorporated and Embassy Suites, Inc. dated as of November 16, 1994 in favor of the Louisiana Economic Development and Gaming Corporation. (16)
 - ***10(125) -Revised Form of Stock Option (1990 Stock Option Plan).
 - ***10(126) -Revised Forms of Restricted Stock Award (1990 Stock Option Plan).
 - ***10(127) -Administrative Regulations, Long Term Compensation Plan (Restricted Stock Plan and Stock Option Plan) dated as of February 24, 1995.
 - ***10(128) -Form of Agreement to Cancel Options dated as of December 16, 1994 entered into with Michael D. Rose, Philip G. Satre, Charles A. Ledsinger, Jr., Ben C. Peternell, Colin V. Reed, E. O. Robinson, Jr. and John M. Boushy.
 - **11 -Computation of per share earnings.
 - **12 -Computations of ratios.
 - **21 -List of subsidiaries of The Promus Companies Incorporated.
 - **27 -Financial Data Schedule
 - 99(1) -Proxy Statement--Information Statement--Prospectus dated December 13, 1989 of Holiday Corporation, The Promus Companies Incorporated and Bass Public Limited Company. (12)

** 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 Amendment No. 3 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed August 4, 1994.
- (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 Harrah's Jazz Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, filed December 21, 1994, File No. .
- (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. 5 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed October 26, 1994.
- (24) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, filed March 28, 1994, File No. 1-10410.
- (25) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994, filed May 12, 1994, File No. 1-10410.
- (26) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, filed August 11, 1994, File No. 1-10410.
- (27) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, filed November 14, 1994, File No. 1-10410.
- (28) Incorporated by reference from Amendment No. 4 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed October 12, 1994.

EXHIBIT 4 (14)

TO: Embassy Suites, Inc. ("Counterparty")
Attn: Carol Champion
Rapidfax: (901) 762-8777

FROM: Bank of America National Trust and Savings Association
("BofA")
185 Berry Street
San Francisco, CA 94107
Derivative Products Operations
Phone No.: (415) 624-1111
Rapidfax No.: (415) 624-1101

DATE: January 25, 1995

RE: USD 50,000,000.00 Swap Transaction

Dear Sir/Madam:

The purpose of this letter agreement is to confirm the terms and conditions of the Transaction entered into between us on the Trade Date specified below (the "Swap Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the Agreement specified below.

The definitions and provisions contained in the 1991 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to, the Interest Rate and Currency Exchange Agreement dated as of May 13, 1993, as amended and supplemented from time to time (the "Agreement"), between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

THIS FACSIMILE TRANSMISSION WILL BE THE ONLY WRITTEN COMMUNICATION REGARDING THIS SWAP TRANSACTION. Pursuant to ISDA guidelines, this facsimile transmission will be sufficient for all purposes to evidence a binding supplement to the Agreement. However, should you have an internal requirement for confirmations with an original signature, we request that you sign and return this Confirmation by facsimile, whereupon, we will add an original signature to the fully executed Confirmation, and forward it to you by mail.

2. The terms of the particular Swap Transaction to which this Confirmation relates are as follows:

Notional Amount: USD 50,000,000.00
Trade Date: January 24, 1995
Effective Date: January 26, 1995
Termination Date: January 26, 1998, subject to adjustment in accordance with the Modified Following Business Day Convention

Fixed Amounts:

Fixed Rate Payer: Counterparty
Fixed Rate Payer Payment Dates: The 15th of every February, May, August and November, beginning with February 15, 1995 and ending on and including the Termination Date

January 25, 1995
Page 2

Fixed Amount: Calculation Amount x Fixed Rate x Fixed Rate Day Count Fraction

Fixed Rate:	7.91400%
Fixed Rate Day Count Fraction:	Actual/360
Floating Amounts:	
Floating Rate Payer:	BofA
Floating Rate Payer Payment Dates:	Same as Fixed Rate Payor Payment Dates
Floating Rate for Initial Calculation Period:	6.00000%
Floating Rate Option:	USD-LIBOR-BBA
Designated Maturity:	Three (3) Months
Spread:	None
Floating Rate Day Count Fraction:	Actual/360
Reset Dates:	First day of each Calculation Period
Compounding:	Inapplicable
Business Day:	New York and London
Business Day Convention:	Modified Following
Calculation Agent:	BofA
3. Account Details	
Payment to BofA:	Fed Funds to Bank of America NT and SA San Francisco ABA NO. 1210-0035-8 BIRD Acct No. 33006-83980 Attn: IRS Operations
Payment to Counterparty:	Fed Funds to First Tennessee Bank Memphis, Tennessee ABA No. 0840-0002-6 A/C Embassy Suites Inc. Acct. No. 841 900

4. Offices:

Office of BofA: The San Francisco Head Office

Office of Counterparty: Memphis, TN

Variations to the Agreement
for this Swap Transaction: None

Please confirm your agreement to be bound by the terms stated herein by executing the copy of this Confirmation enclosed for that purpose and returning it to us or by sending to us a telex or letter, within 24 hours of receipt of this Confirmation to Bank of America NT & SA San Francisco Telex No. 249839 Answer Back OPRST UR or Rapifax No. 415-624-1101 Attention: Derivative Products Operations, substantially in the form below:

Quote

We acknowledge receipt of your rapidfax dated January 25, 1995 with respect to the Swap Transaction entered into on January 24, 1995 between Embassy Suites, Inc. and Bank of America National Trust and Savings Association with a Notional Amount of USD 50,000,000.00 and a Termination Date of January 26, 1998, and confirm our agreement to be bound by the terms specified in such rapidfax.

Unquote

This Confirmation shall be conclusively deemed accurate and complete by Counterparty if not objected to within two (2) Business Days from the date of receipt.

Yours sincerely,

For and on behalf of:
BANK OF AMERICA NATIONAL
TRUST AND SAVINGS ASSOCIATION

By: /s/Scott K. Rosebrook

Name: Scott K. Rosebrook

Title: Vice President

Confirmed as of the
date first above written:
EMBASSY SUITES, INC.

By: /s/Carol G. Champion

Name: Carol G. Champion

Title: Assistant Treasurer

By: _____
Name: _____
Title: _____

CONFIRMATION FOR U.S. DOLLAR RATE SWAP TRANSACTION
UNDER EXISTING IRCEA

TO: EMBASSY SUITES INC.
1023 CHERRY ROAD
MEMPHIS, TN 38117

ATTN: CAROL CHAMPION
TEL: 901-762-8770
FAX: 901-762-4060
FROM: NationsBank, N.A. (Carolinas)
440 S. LaSalle
Chicago, Illinois 60605
JEFF MCNEIL / SEAN DOYLE

Date: 25JAN95

Our Reference #: 292050

The purpose of this letter agreement is to confirm the terms and conditions of the Swap Transaction entered into between us on the Trade Date specified below (the "Swap Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the Interest Rate and Currency Exchange Agreement specified below.

The definitions and provisions contained in the 1991 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to, the Interest Rate and Currency Exchange Agreement dated as of 18MAY93, as amended and supplemented from time to time (the "Agreement"), between you and us. All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below.

2. The terms of the Swap Transaction to which this Confirmation relates are as follows:

Currency/Notional Amount:	USD 50,000,000.00
Trade Date:	24JAN95
Effective Date:	26JAN95
Termination Date:	26JAN98, subject to adjustment in accordance with the Modified Following Business Day Convention.

Fixed Amounts:

Payer of Fixed:	EMBASSY SUITES INC.
Fixed Payer Payment Dates:	EACH JANUARY 26, APRIL 26, JULY 26, AND OCTOBER 26, COMMENCING APRIL 26, 1995 AND ENDING JANUARY 26, 1998, SUBJECT TO ADJUSTMENT IN ACCORDANCE WITH THE MODIFIED FOLLOWING BUSINESS DAY CONVENTION.

Fixed Rate Payer Business Day Convention:	MODIFIED FOLLOWING BUSINESS DAY
Fixed Rate Payer Business Days:	NEW YORK, LONDON
Fixed Rate:	7.915%
Fixed Rate Payer Day Count Fraction:	ACTUAL/360

Floating Amounts:
Payer of Floating: NATIONS BANK, N.A. (CAROLINAS)

Floating Payer Reset Dates:	First Day of each Calculation Period
Floating Payer Payment Dates:	EACH JANUARY 26, APRIL 26, JULY 26, AND OCTOBER 26, COMMENCING APRIL 26, 1995 AND ENDING JANUARY 26, 1998, SUBJECT TO ADJUSTMENT IN ACCORDANCE WITH THE MODIFIED FOLLOWING BUSINESS DAY CONVENTION.
Floating Rate Payer Business Days:	NEW YORK, LONDON
Floating Rate Payer Business Day Convention:	MODIFIED FOLLOWING BUSINESS DAY
Floating Rate Option:	USD-LIBOR-BBA
Designated Maturity:	3 MONTHS
Initial USD/LIBOR:	6.3125%
Spread:	NONE
Floating Rate for Initial Calculation Period:	6.3125%
Floating Rate Payer Day Count Fraction:	ACTUAL/360
Averaging:	INAPPLICABLE
Rounding Factor:	One-Hundred-Thousandth of One Percent
Calculation Agent:	NationsBank, N.A. (Carolinas)
Assignment:	This Swap Transaction may be assigned only with prior written consent.

Legal and Out-of-Pocket
Expenses:

For each party's own account.

Governing Law:

The Laws of the State of New York.

Recording of Conversations:

Each party to this Agreement acknowledges and agrees to the tape or electronic recording of conversations between the parties to this Agreement whether by one or other or both of the parties, and that any such recordings may be submitted in evidence in any action or proceeding relating to the Agreement or any Transaction.

Payment Instructions:

Payments to NationsBank:

Payment to EMBASSY SUITES INC.

NATIONSBANK N.A. (CAROLINAS),
CHARLOTTE
ABA 053000196
ACCT: 10852016511
ATTN: DERIVATIVE OPERATIONS

FIRST TENNESSEE BANK
A/C# 841900
ABA# 084000026
IN FAVOR OF: EMBASSY SUITES, INC.
REPETITIVE 42703F

Please confirm that the foregoing correctly sets forth the terms and conditions of our agreement by responding within three (3) Business Days by either (i) returning via telecopier an executed copy of this Confirmation to the attention of Marge Szymczak, Fax No. (312) 431-3160; Telephone No. (312) 431-2934, or (ii) sending a telex to Marge Szymczak (Telex No. 4330469, answerback: CRT CGO) substantially to the following effect: "We acknowledge receipt of your fax dated 25JAN95 with respect to a Swap Transaction between EMBASSY SUITES INC. and NationsBank, N.A. (Carolinas) with a Notional Amount of USD 50,000,000.00 and a Termination Date of 26JAN98 and confirm that such fax correctly sets forth the term of our agreement relating to the Swap Transaction described therein. Very truly yours,

, by (specify name and title of authorized officer)." Failure to respond within such period shall not affect the validity or enforceability of this Swap Transaction, and shall be deemed to be an affirmation of the terms and conditions contained herein, absent manifest error.

NationsBank, N.A. (Carolinas) is pleased to have concluded this transaction with you.

Yours Sincerely,

NationsBank, N.A. (Carolinas)

By: /s/Nick Kolick

Nick Kolick, Vice President
Authorized Signatory

Confirmed as of the date first written above:

EMBASSY SUITES INC.

By: /s/Carol G. Champion, Asst. Treasurer

Authorized Signatory

CONFIRMATION FOR U.S. DOLLAR RATE SWAP TRANSACTION
UNDER EXISTING IRCEA

TO: EMBASSY SUITES INC.
1023 CHERRY ROAD
MEMPHIS, TN 38117

ATTN: CAROL CHAMPION
TEL: 901-762-8770
FAX: 901-762-4060
FROM: NationsBank, N.A. (Carolinas)
440 S. LaSalle
Chicago, Illinois 60605
JEFF MCNEIL / SEAN DOYLE

Date: 25JAN95

Our Reference #: 291790

The purpose of this letter agreement is to confirm the terms and conditions of the Swap Transaction entered into between us on the Trade Date specified below (the "Swap Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the Interest Rate and Currency Exchange Agreement specified below.

The definitions and provisions contained in the 1991 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to, the Interest Rate and Currency Exchange Agreement dated as of 18MAY93, as amended and supplemented from time to time (the "Agreement"), between you and us. All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below.

2. The terms of the Swap Transaction to which this Confirmation relates are as follows:

Currency/Notional Amount:	USD 50,000,000.00
Trade Date:	24JAN95
Effective Date:	26JAN95
Termination Date:	28JAN97, subject to adjustment in accordance with the Modified Following Business Day Convention.

Fixed Amounts:

Payer of Fixed:	EMBASSY SUITES INC.
Fixed Payer Payment Dates:	EACH MARCH 15, JUNE 15, SEPTEMBER 15, AND DECEMBER 15, WITH FINAL PAYMENT JULY 28, 1997, COMMENCING MARCH 15, 1995 AND ENDING JULY 28, 1997, SUBJECT TO ADJUSTMENT IN ACCORDANCE WITH THE MODIFIED FOLLOWING BUSINESS DAY CONVENTION.

Fixed Rate Payer Business Day Convention:	MODIFIED FOLLOWING BUSINESS DAY
Fixed Rate Payer Business Days:	NEW YORK, LONDON
Fixed Rate:	7.8625%
Fixed Rate Payer Day Count Fraction:	ACTUAL/360
Floating Amounts:	
Payer of Floating:	NATIONSBANK, N.A. (CAROLINAS)
Floating Payer Reset Dates:	First Day of each Calculation Period
Floating Payer Payment Dates:	EACH MARCH 15, JUNE 15, SEPTEMBER 15, AND DECEMBER 15, WITH FINAL PAYMENT JULY 28, 1997, COMMENCING MARCH 15, 1995 AND ENDING JULY 28, 1997, SUBJECT TO ADJUSTMENT IN ACCORDANCE WITH THE MODIFIED FOLLOWING BUSINESS DAY CONVENTION.
Floating Rate Payer Business Days:	NEW YORK, LONDON
Floating Rate Payer Business Day Convention:	MODIFIED FOLLOWING BUSINESS DAY
Floating Rate Option:	USD-LIBOR-BBA
Designated Maturity:	3 MONTHS
Initial USD/LIBOR:	6.1875%
Spread:	NONE
Floating Rate for Initial Calculation Period:	6.1875%
Floating Rate Payer Day Count Fraction:	ACTUAL/360
Averaging:	INAPPLICABLE
Rounding Factor:	One-Hundred-Thousandth of One Percent
Calculation Agent:	NationsBank, N.A. (Carolinas)
Assignment:	This Swap Transaction may be assigned only with prior written consent.

Legal and Out-of-Pocket
Expenses:

For each party's own account.

Governing Law:
Recording of Conversations:

The Laws of the State of New York.
Each party to this Agreement acknowledges and agrees to the tape or electronic recording of conversations between the parties to this Agreement whether by one or other or both of the parties, and that any such recordings may be submitted in evidence in any action or proceeding relating to the Agreement or any Transaction.

Payment Instructions:

Payments to NationsBank:

Payment to EMBASSY SUITES INC.:

NATIONSBANK N.A. (CAROLINAS),
CHARLOTTE
ABA 053000196
ACCT: 10852016511
ATTN: DERIVATIVE OPERATIONS

FIRST TENNESSEE BANK
A/C# 841900
ABA# 084000026
IN FAVOR OF: EMBASSY SUITES, INC.
REPETITIVE 42703F

Please confirm that the foregoing correctly sets forth the terms and conditions of our agreement by responding within three (3) Business Days by either (i) returning via telecopier an executed copy of this Confirmation to the attention of Marge Szymczak, Fax No. (312) 431-3160; Telephone No. (312) 431-2934, or (ii) sending a telex to Marge Szymczak (Telex No. 4330469, answerback: CRT CG0) substantially to the following effect: "We acknowledge receipt of your fax dated 25JAN95 with respect to a Swap Transaction between EMBASSY SUITES INC. and NationsBank, N.A. (Carolinas) with a Notional Amount of USD 50,000,000.00 and a Termination Date of 28JAN97 and confirm that such fax correctly sets forth the term of our agreement relating to the Swap Transaction described therein. Very truly yours, _____, by (specify name and title of authorized officer)." Failure to respond within such period shall not affect the validity or enforceability of this Swap Transaction, and shall be deemed to be an affirmation of the terms and conditions contained herein, absent manifest error.

NationsBank, N.A. (Carolinas) is pleased to have concluded this transaction with you.

Yours Sincerely,

NationsBank, N.A. (Carolinas)

By: /s/Nick Kolick

Nick Kolick, Vice President
Authorized Signatory

Confirmed as of the date first written above:

EMBASSY SUITES INC.

By: /s/Carol G. Champion, Asst. Treasurer

Authorized Signatory

January 24, 1995
AMENDMENT
February 2, 1995

EMBASSY SUITES, INC.
c/o The Promus Companies Incorporated
1023 Cherry Road
Memphis, TN
38117 USA

Attention: William McCalmont, Treasurer

Dear Sirs,

Re: Our Swap Reference No. S07400

The purpose of this letter agreement is to set forth the terms and conditions of the Swap Transaction entered into between us on the Trade Date specified below (the "Swap Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the Interest Rate and Currency Exchange Agreement specified below.

The definitions and provisions contained in the 1991 ISDA Definitions (as published by the International Swap Dealers Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. The Confirmation supplements, forms part of, and is subject to, the Interest Rate and Currency Exchange Agreement dated as of October 22, 1992, as amended and supplemented from time to time (the "Agreement"), between THE BANK OF NOVA SCOTIA, NEW YORK ("Party A") and EMBASSY SUITES, INC. ("Party B"). All provisions contained in the Agreement govern this Confirmation except as expressly modified below.
2. The terms of the particular Swap Transaction to which this Confirmation relates are as follows:

Notional Amount:	USD 50,000,000.00
Trade Date:	24-Jan-1995
Effective Date:	26-Jan-1995
Termination Date:	26-Jan-1998; subject to adjustment in accordance with the Modified Following Business Day Convention.

Fixed Amounts:

Fixed Rate Payer:	EMBASSY SUITES, INC.
Fixed Rate Payer Payment Dates:	Adjusted in accordance with the Modified Following Business Day convention

26-Apr-1995	26-Jul-1995	26-Oct-1995	26-Jan-1996
26-Apr-1996	26-Jul-1996	28-Oct-1996	27-Jan-1997
28-Apr-1997	28-Jul-1997	27-Oct-1997	26-Jan-1998

Fixed Rate: 7.9100% Paid Quarterly

Fixed Rate Day
Count Fraction: Actual/360

Floating Amounts:

Floating Rate Payer: THE BANK OF NOVA SCOTIA
Floating Rate Payer
Payment Dates: Adjusted in accordance with the Modified Following Business Day convention

26-Apr-1995	26-Jul-1995	26-Oct-1995	26-Jan-1996
26-Apr-1996	26-Jul-1996	28-Oct-1996	27-Jan-1997
28-Apr-1997	28-Jul-1997	27-Oct-1997	26-Jan-1998

Floating Rate for initial
Calculation Period: 6.31250% (For the period January 26, 1995 to April 26, 1995)

Floating Rate Option: USD-LIBOR-BBA

Floating Rate Day
Count Fraction: Actual/360

Designated Maturity: 3 months

Spread: None

Reset Dates: The first date of the relevant Calculation period.

Compounding: Inapplicable

Business Days for Payments: New York and London

Calculation Agent: The Bank of Nova Scotia

3. Credit Support Documents**:

- (i) The Guarantee Agreement (as defined in the Master Facility Agreement but excluding the guarantee of the Company pursuant to Article X of the Master Facility Agreement), each as amended by an Amendment and Waiver (the "Amendment and Waiver") dated as of October 1, 1992 among Embassy Suites, Inc., The Promus Companies Incorporated, the Collateral Grantors and Guarantors listed on the signature pages thereof, the banks listed on the signature pages thereof, The Bank of New York, Bankers Trust Company, Citibank, N.A., Credit Lyonnais and The Sumitomo Bank, Limited, New York Branch as managing agents and the Collateral Agents listed on the signature pages thereof.
- (ii) The Amended and Restated Master Collateral Agreement, as amended by the Amendment and Waiver.

(iii) The Deed of Trust, the Mortgage and the Assignment of Leases and Rents, each as amended by amendments thereto dated as of or about October 1, 1992.

(iv) Endorsements to title insurance policies relating to the properties underlying The Deed of Trust, the Mortgage and the Assignment of Leases and Rents.**

4. Account Details

Payments to THE BANK OF NOVA SCOTIA:

Account for payment in USD: The Bank of Nova Scotia
New York Agency
1 Liberty Plaza, 165 Broadway
26th Floor, N. Y., New York
ABA 0260-02532 A/C 6027-36
Attn: Capital Markets/Mer. Bkg

Payments to EMBASSY SUITES, INC.:

Account for payments in USD: First Tennessee Bank, Memphis,
TN
ABA 084000026
f/o Embassy Suites, Inc.
Account No. 841900
Attn: Wes Oates

5. The parties hereto agree that this Confirmation, whether received in original or facsimile form, may be executed in counterparts, which execution may be effected by means of facsimile transmission, and which when taken together shall constitute a single and original agreement between the parties and a binding supplement to the Agreement. Where execution is affected by means of facsimile transmission, the parties agree that the sender's signature as printed by the recipient's facsimile machine shall be deemed to be the sender's original signature.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this confirmation enclosed for that purpose and returning it to us.

Yours sincerely,

THE BANK OF NOVA SCOTIA

By: /s/G. MacDougall

Name: for Mary J. Rynn
Title: Manager

Confirmed as of the date first written:

EMBASSY SUITES, INC.

By: /s/Carol G. Champion

Name: Carol G. Champion
Title: Assistant Treasurer

By:

Name:
Title:

March 16, 1995

EMBASSY SUITES, INC.
c/o The Promus Companies Incorporated
1023 Cherry Road
Memphis, TN
38117 USA

Attention: William McCalmont, Treasurer

Dear Sirs,

Re: Our Swap Reference No. S07757

The purpose of this letter agreement is to set forth the terms and conditions of the Swap Transaction entered into between us on the Trade Date specified below (the "Swap Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the Interest Rate and Currency Exchange Agreement specified below.

The definitions and provisions contained in the 1991 ISDA Definitions (as published by the International Swap Dealers Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. The Confirmation supplements, forms part of, and is subject to, the Interest Rate and Currency Exchange Agreement dated as of October 22, 1992, as amended and supplemented from time to time (the "Agreement"), between THE BANK OF NOVA SCOTIA, NEW YORK ("Party A") and EMBASSY SUITES, INC. ("Party B"). All provisions contained in the Agreement govern this Confirmation except as expressly modified below.
2. The terms of the particular Swap Transaction to which this Confirmation relates are as follows:

Notional Amount:	USD 50,000,000.00
Trade Date:	16-Mar-1995
Effective Date:	20-Mar-1995
Termination Date:	20-Mar-2000; subject to adjustment in accordance with the Modified Following Business Day Convention.

Fixed Amounts:

Fixed Rate Payer:	EMBASSY SUITES, INC.
Fixed Rate Payer Payment Dates:	Adjusted in accordance with the Modified Following Business Day convention

20-Jun-1995	20-Sep-1995	20-Dec-1995	20-Mar-1996
20-Jun-1996	20-Sep-1996	20-Dec-1996	20-Mar-1997
20-Jun-1997	20-Sep-1997	20-Dec-1997	20-Mar-1998
20-Jun-1998	20-Sep-1998	20-Dec-1998	20-Mar-1999
20-Jun-1999	20-Sep-1999	20-Dec-1999	20-Mar-2000

Fixed Rate: 6.9850% (Paid Quarterly)

Fixed Rate Day
Count Fraction: Actual/360

Floating Amounts:

Floating Rate Payer: THE BANK OF NOVA SCOTIA
Floating Rate Payer
Payment Dates: Adjusted in accordance with the Modified Following Business Day convention

20-Jun-1995	20-Sep-1995	20-Dec-1995	20-Mar-1996
20-Jun-1996	20-Sep-1996	20-Dec-1996	20-Mar-1997
20-Jun-1997	20-Sep-1997	20-Dec-1997	20-Mar-1998
20-Jun-1998	20-Sep-1998	20-Dec-1998	20-Mar-1999
20-Jun-1999	20-Sep-1999	20-Dec-1999	20-Mar-2000

Floating Rate for initial
Calculation Period: 6.2500% (For the period March 20, 1995 to June 20, 1995)

Floating Rate Option: USD-LIBOR-BBA

Floating Rate Day
Count Fraction: Actual/360

Designated Maturity: 3 months

Spread: None

Reset Dates: The first date of the relevant Calculation period.

Compounding: Inapplicable

Compounding Dates: Inapplicable

Business Days for Payments: New York and London

Calculation Agent: The Bank of Nova Scotia

3. Credit Support Documents**:

(i) The Guarantee Agreement (as defined in the Master Facility Agreement but excluding the guarantee of the Company pursuant to Article X of the Master Facility Agreement), each as amended by an Amendment and Waiver (the "Amendment and Waiver") dated as of October 1, 1992 among Embassy Suites, Inc., The Promus Companies Incorporated, the Collateral Grantors and Guarantors listed on the signature pages thereof, the banks listed on the signature pages thereof, The Bank of New York, Bankers Trust Company, Citibank, N.A., Credit Lyonnais and The Sumitomo Bank, Limited, New York Branch as managing agents and the Collateral Agents listed on the signature pages thereof.

(ii) The Amended and Restated Master Collateral Agreement, as amended by the Amendment and Waiver.

- (iii) The Deed of Trust, the Mortgage and the Assignment of Leases and Rents, each as amended by amendments thereto dated as of or about October 1, 1992.
- (iv) Endorsements to title insurance policies relating to the properties underlying The Deed of Trust, the Mortgage and the Assignment of Leases and Rents.

4. Account Details

Payments to THE BANK OF NOVA SCOTIA:

Account for payment in USD: The Bank of Nova Scotia
New York Agency
1 Liberty Plaza, 165 Broadway
26th Floor, N. Y., New York
ABA 0260-02532 A/C 6027-36
Attn: Capital Markets/Mer. Bkg

Payments to EMBASSY SUITES, INC.:

Account for payments in USD: First Tennessee Bank, Memphis,
TN
ABA 084000026
f/o Embassy Suites, Inc.
Account No. 841900
Attn: Wes Oates

5. The parties hereto agree that this Confirmation, whether received in original or facsimile form, may be executed in counterparts, which execution may be effected by means of facsimile transmission, and which when taken together shall constitute a single and original agreement between the parties and a binding supplement to the Agreement. Where execution is affected by means of facsimile transmission, the parties agree that the sender's signature as printed by the recipient's facsimile machine shall be deemed to be the sender's original signature.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this confirmation enclosed for that purpose and returning it to us.

Yours sincerely,

THE BANK OF NOVA SCOTIA

By: /s/ Mary J. Rynn

Name: Mary J. Rynn
Title: Manager

Confirmed as of the date first written:

EMBASSY SUITES, INC.

By: /s/Carol G. Champion

Name: Carol G. Champion
Title: Assistant Treasurer

By:

Name:
Title:

CONFIRMATION FOR U.S. DOLLAR RATE SWAP TRANSACTION
UNDER EXISTING IRCEA

TO: EMBASSY SUITES INC.
1023 CHERRY ROAD
MEMPHIS, TN 38117

ATTN: CAROL CHAMPION
TEL: 901-762-8770
FAX: 901-762-4060
FROM: NationsBank, N.A. (Carolinas)
440 S. LaSalle
Chicago, Illinois 60605
JEFF MCNEIL / KEVIN SAKODA

Date: 17MAR95

Our Reference #: 324190

The purpose of this letter agreement is to confirm the terms and conditions of the Swap Transaction entered into between us on the Trade Date specified below (the "Swap Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the Interest Rate and Currency Exchange Agreement specified below.

The definitions and provisions contained in the 1991 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to, the Interest Rate and Currency Exchange Agreement dated as of 18MAY93, as amended and supplemented from time to time (the "Agreement"), between you and us. All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below.

2. The terms of the Swap Transaction to which this Confirmation relates are as follows:

Currency/Notional Amount:	USD 50,000,000.00
Trade Date:	16MAR95
Effective Date:	20MAR95
Termination Date:	20MAR00, subject to adjustment in accordance with the Modified Following Business Day Convention.

Fixed Amounts:

Payer of Fixed:	EMBASSY SUITES INC.
Fixed Payer Payment Dates:	EACH MARCH 20, JUNE 20, SEPTEMBER 20, AND DECEMBER 20, COMMENCING JUNE 20, 1995 AND ENDING MARCH 20, 2000, SUBJECT TO ADJUSTMENT IN ACCORDANCE WITH THE MODIFIED FOLLOWING BUSINESS DAY CONVENTION.

Fixed Rate Payer Business Day Convention:	MODIFIED FOLLOWING BUSINESS DAY
Fixed Rate Payer Business Days:	NEW YORK, LONDON
Fixed Rate:	6.99%
Fixed Rate Payer Day Count Fraction:	ACTUAL/360

Floating Amounts:
Payer of Floating: NATIONS BANK, N.A. (CAROLINAS)

Floating Payer Reset Dates:	First Day of each Calculation Period
Floating Payer Payment Dates:	EACH MARCH 20, JUNE 20, SEPTEMBER 20, AND DECEMBER 20, COMMENCING JUNE 20, 1995 AND ENDING MARCH 20, 2000, SUBJECT TO ADJUSTMENT IN ACCORDANCE WITH THE MODIFIED FOLLOWING BUSINESS DAY CONVENTION.
Floating Rate Payer Business Days:	NEW YORK, LONDON
Floating Rate Payer Business Day Convention:	MODIFIED FOLLOWING BUSINESS DAY
Floating Rate Option:	USD-LIBOR-BBA
Designated Maturity:	3 MONTHS
Initial USD/LIBOR:	6.25%
Spread:	NONE
Floating Rate for Initial Calculation Period:	6.25%
Floating Rate Payer Day Count Fraction:	ACTUAL/360
Averaging:	INAPPLICABLE
Rounding Factor:	One-Hundred-Thousandth of One Percent
Calculation Agent:	NationsBank, N.A. (Carolinas)
Assignment:	This Swap Transaction may be assigned only with prior written consent.

Legal and Out-of-Pocket Expenses:

For each party's own account.

Governing Law:

The Laws of the State of New York.

Recording of Conversations:

Each party to this Agreement acknowledges and agrees to the tape or electronic recording of conversations between the parties to this Agreement whether by one or other or both of the parties, and that any such recordings may be submitted in evidence in any action or proceeding relating to the Agreement or any Transaction.

Payment Instructions:

Payments to NationsBank:

Payment to EMBASSY SUITES INC.

NATIONSBANK N.A. (CAROLINAS),
CHARLOTTE
ABA 053000196
ACCT: 10852016511
ATTN: DERIVATIVE OPERATIONS

FIRST TENNESSEE BANK
A/C# 841900
ABA# 084000026
IN FAVOR OF: EMBASSY SUITES, INC.
REPETITIVE 42703F

Please confirm that the foregoing correctly sets forth the terms and conditions of our agreement by responding within three (3) Business Days by either (i) returning via telecopier an executed copy of this Confirmation to the attention of Marge Szymczak, Fax No. (312) 431-3160; Telephone No. (312) 431-2934, or (ii) sending a telex to Marge Szymczak (Telex No. 4330469, answerback: CRT CGO) substantially to the following effect: "We acknowledge receipt of your fax dated 17MAR95 with respect to a Swap Transaction between EMBASSY SUITES INC. and NationsBank, N.A. (Carolinas) with a Notional Amount of USD 50,000,000.00 and a Termination Date of 20MAR95 and confirm that such fax correctly sets forth the term of our agreement relating to the Swap Transaction described therein. Very truly yours,

, by (specify name and title of authorized officer)." Failure to respond within such period shall not affect the validity or enforceability of this Swap Transaction, and shall be deemed to be an affirmation of the terms and conditions contained herein, absent manifest error.

NationsBank, N.A. (Carolinas) is pleased to have concluded this transaction with you.

Yours Sincerely,

NationsBank, N.A. (Carolinas)

By: /s/Nick Kolick

Nick Kolick, Vice President
Authorized Signatory

Confirmed as of the date first written above:

EMBASSY SUITES INC.

By: /s/Carol G. Champion, Asst. Treasurer

Authorized Signatory

EMBASSY SUITES, INC.
6800 Poplar Avenue, Suite 200
Memphis, TN 38138

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 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 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 than \$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) 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. 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 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 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.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: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____
Embassy Suites Hotel Division

Witness: _____ Witness: _____

Date: _____ 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.
6800 Poplar Avenue, Suite 200
Memphis, TN 38138

EMBASSY SUITES(R)
SHORT-TERM 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 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 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 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 than \$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) 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 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 at no charge 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 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 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 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 premises 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: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____
Embassy Suites Hotel Division

Witness: _____ Witness: _____

Date: _____ 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 ("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 "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 ("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 names "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,

installation or maintenance of reservation services equipment 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 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 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 their 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 Licensee 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.(1), (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.(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 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 ("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 "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 names "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, installation or maintenance of reservation services equipment 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 their 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 Licensee 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.(1), (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.(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 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 undismitted 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):

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):

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 ("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 "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 Homewood Suites 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, installation or maintenance of reservation services equipment 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):

THE PROMUS COMPANIES INCORPORATED
Stock Option Award

THIS CERTIFIES THAT

the Human Resources Committee of the Board of Directors of the Company has awarded _____ a Nonqualified Stock Option to purchase _____ shares of the Company's Common Stock at a price of _____ Dollars per share.

Original Grant Date: _____

This option is exercisable as follows, subject to the conditions on the reverse side of this certificate:

This award is subject to the terms and conditions of the Company's 1990 Stock Option Plan, as it may be amended from time to time. A brief summary of these terms and conditions is on the reverse of this award. This document constitutes part of a prospectus concerning securities that have been registered under the Securities Act of 1933.

IN WITNESS WHEREOF, the Company has caused this award to be executed by its duly authorized officers as of this _____ day of _____, 19____.

ATTEST:

Secretary

Chairman of the Board

SUMMARY OF CERTAIN CONDITIONS

Shares of The Promus Companies Incorporated ("Promus" or "Company") common stock may be purchased under this stock option. Subject to the terms and conditions of the Plan, the term of this option is 10 years and one day from the grant date shown on the front side of this certificate. The option is exercisable in accordance with the stated schedule indicated on the front side of this certificate by giving written notice addressed to the Corporate Compensation Department, The Promus Companies Incorporated, 1023 Cherry Road, Memphis, TN 38117 (or such other address designated by Promus), specifying the number of shares to be purchased and by payment of the option price according to the rules of the Plan.

Subject to the Plan and Administrative Regulations thereunder and any contractual provisions, this stock option, to the extent not exercised, shall terminate and be forfeited on the expiration of 10 years and one day from the grant date shown on the front side of this certificate, upon breach by the optionee of any provision of this option, or upon optionee's ceasing to be an active employee of Promus (or its legal successor) or subsidiaries for any reason including but not limited to retirement and voluntary or involuntary termination including termination due to sale or closure of a business unit or sale of a subsidiary, provided, however:

- - If active employment ceases during the term of this stock option because of death or disability, then the unexercised portion of the options that were already vested (i.e., exercisable) at that time plus 50 percent of any future unvested installments shall be exercisable in full on the date that employment ceases or on the date of the determination of disability, as the case may be. All remaining unvested options will be forfeited.
- - The time period to exercise vested options, following retirement for age, death or determination of disability during the term of this option while in the employ of the Company (or its legal successor), is as follows:

Years of Service	Period to Exercise Vested Options after Death, Disability or Retirement
-----	-----
under 10 years (for death	one year

or disability)	
10 to 20 years (for death, disability or retirement)	two years
20 or more years (for death, disability or retirement)	three years

- - Retirement means termination during the term of this option at or after age 55 and having 10 or more years of service with the Company or its subsidiaries. Disability means a determination (while you are an employee or on authorized sick leave) that you qualify for long-term disability insurance under the Company's LTD policy. Upon death, vested options may be exercised by your proper legal representative (executor or administrator) or your legal beneficiary subject to the Company being properly assured and legally advised of the rights of such persons.
- - Reference is made to the vesting acceleration provisions in the Plan's Administrative Regulations which provisions are applicable upon a "Change in Control" (as defined in, and subject to, such Regulations).

This stock option shall be non-transferable by the optionee other than by will or the laws of descent and distribution and shall be exercisable during optionee's lifetime only by optionee.

This stock option may not be exercised at a time when the exercise thereof or the issuance of shares thereunder would constitute a violation of any federal or state laws or rules of any stock exchange whereon the common stock of Promus (or its legal successor) is listed.

ALL THE TERMS AND CONDITIONS OF THE PROMUS COMPANIES INCORPORATED 1990 STOCK OPTION PLAN AND ADMINISTRATIVE REGULATIONS THEREUNDER, AS AMENDED FROM TIME TO TIME, ARE INCORPORATED HEREIN BY REFERENCE. ANY CONFLICT OR QUESTIONS OF INTERPRETATION SHALL BE GOVERNED BY THE PROVISIONS OF THE PLAN, THE PLAN'S ADMINISTRATIVE REGULATIONS AND THE DECISIONS OF THE HUMAN RESOURCES COMMITTEE.

THE PROMUS COMPANIES INCORPORATED
1990 Restricted Stock Plan
PARTICIPATION AWARD

THIS CERTIFIES THAT

the Human Resources Committee of the Board of Directors of The Promus Companies Incorporated has awarded _____ shares of restricted stock to _____ in accordance with the Company's 1990 Restricted Stock Plan.

Original Grant Date: _____

The restrictions on these shares will lapse in _____ Vesting Schedule the annual installments as shown at right. The shares will vest if the participant is actively employed with the Company on the vesting date.

This award is subject to the terms and conditions of the Company's 1990 Restricted Stock Plan, as it may be amended from time to time. A brief summary of these terms and conditions is on the reverse side of this award. This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

IN WITNESS WHEREOF, the Company has caused this Participation Award to be executed by its duly authorized officers as of this _____ day of _____, 19____.

ATTEST:

Secretary

Chairman of the Board

SUMMARY OF CERTAIN CONDITIONS

1. The stock certificates representing this award will be held by the Company until the restrictions are lifted.
2. During the restriction period, the shares may not be sold, assigned, pledged, encumbered, or used as collateral for a loan.
3. If the participant voluntarily or involuntarily terminates active employment with the Company or its subsidiaries for any reason before the restrictions have been removed (except for death or disability as provided in Paragraph 4 below), then, subject to any contractual provisions, the terms of the Plan or the Administrative Regulations thereunder, all shares covered by the restrictions at that time will be automatically forfeited to the Company.

Reference is made to the vesting acceleration provisions in the Plan's Administrative regulations, which provisions are applicable upon a "Change in Control" (as defined in, and subject to, such Regulations).

4. If employment ceases because of death or disability (as disability is defined in the Plan's Administrative Regulations), then, subject to the terms of the Plan and the Administrative Regulations thereunder, the restrictions on 50% of the shares remaining under restriction at that time will be removed.
5. The rights of the participant are not transferable other than by will or the laws of descent and distribution in accordance with the Plan's provisions.
6. The participant will be entitled to vote and receive dividends on the

restricted shares.

7. ALL TERMS AND CONDITIONS OF THE PROMUS COMPANIES INCORPORATED 1990 RESTRICTED STOCK PLAN AND ADMINISTRATIVE REGULATIONS THEREUNDER, AS AMENDED FROM TIME TO TIME, ARE INCORPORATED HEREIN BY REFERENCE. ANY CONFLICT OR QUESTION OF INTERPRETATION SHALL BE GOVERNED BY THE PROVISIONS OF THE PLAN, THE PLAN S ADMINISTRATIVE REGULATIONS AND THE DECISIONS OF THE HUMAN RESOURCES COMMITTEE.

THE PROMUS COMPANIES INCORPORATED
1990 Restricted Stock Plan
PARTICIPATION AWARD

THIS
CERTIFIES
THAT _____

has been awarded _____ shares of restricted stock in accordance with
the Company's 1990 Restricted Stock Plan.

The restrictions on these shares will lapse in _____ Annual Vesting Schedule
the annual installments as shown at right.
The shares will vest if the participant is
a member of the Board of Directors of the
Company on the applicable April 1 vesting date.

This award is subject to the terms and conditions of the 1990 Restricted Stock
Plan. A brief summary of these conditions is on the reverse side of this award.

IN WITNESS WHEREOF, the Company has caused this Participation Award to be
executed by its duly authorized officers as of this _____
day of _____, 19____.

ATTEST:

Secretary

Chairman of the Board

Summary of Conditions

1. The stock certificates representing this award will be held by the Company until the restrictions are lifted.
2. During the restriction period, the shares may not be sold, assigned, pledged, encumbered, or used as collateral for a loan. After the shares vest, the stock certificates representing such shares may contain a restrictive legend as required by law.
3. Unvested restricted shares to non-employee directors shall be forfeited when the director's Board service terminates except all restricted shares shall vest upon: (a) a Change in Control of the Company (as defined in the Plan's Administrative Regulations); or (b) upon such person's death, or permanent and total disability as determined by a licensed physician.
4. If a non-employee director retires at the end of an elected term of service, each unvested annual installment then remaining in such director's name will vest at that time for each full year of Board service that the director had prior to April 28, 1989, including service with Holiday Corporation. If the director retires prior to the end of a term of service, shares unvested at that time will be forfeited.
5. The rights of the participant are not transferable other than by will or the laws of descent and distribution in accordance with the Plan's provisions.
6. The participant will be entitled to vote and receive dividends on the restricted shares represented by this award.
7. All terms and conditions of The Promus Companies Incorporated 1990 Restricted Stock Plan are incorporated herein by reference. Any question of interpretation shall be resolved by the provisions of the Plan.

As Amended by the
Human Resources
Committee on 12/16/94
and 02/24/95

ADMINISTRATIVE REGULATIONS

THE PROMUS COMPANIES INCORPORATED
(the "Company")

LONG TERM COMPENSATION PLAN

1. Application. These administrative regulations apply to all grants of restricted stock and stock options under the Company's 1990 Restricted Stock Plan and 1990 Stock Option Plan (the "Plans").

2. Procedure for Awards

2.1 Eligibility. The Company will follow the eligibility requirements for participants as set forth in the Plans. In general, employees in grades 23-36 and general managers and specifically identified key employees in grades 19-22 are eligible to be considered for awards under the Plans.

2.2 Recommendation Method. The Corporate Compensation Department will provide each Division President, the President of the Company, and Corporate Department head with a list of employees eligible for awards. Each Division President, the President of the Company, and

each Corporate Department head will then be requested to recommend the award(s) for the employee(s) within their respective areas of responsibility. The recommendations will then be submitted for appropriate corporate executive review and approval, and then to the Human Resources Committee for final approval.

2.3 Vesting Schedules. The term "vesting" refers to the lifting of restrictions on restricted stock and to exercise rights regarding stock options. Vesting schedules will be approved by the Human Resources Committee.

2.4 Stock Price. If an award will be based on a dollar value instead of number of shares, then the price of the Company's common stock for the purpose of determining the grant will normally be the average of the high and low prices of the stock on the New York Stock Exchange on the date that the Human Resources Committee meets and approves the award or if that is not a business day, the preceding business day. The Human Resources Committee may use any other method it deems appropriate to determine stock price and award values.

2.5 Special Awards. The Chief Executive Officer of the Company may recommend a special award to any employee at any time in recognition of outstanding performance or for purposes of encouraging such performance. Special awards will be presented to the Human Resources Committee for approval or shall otherwise be authorized by the Human Resources Committee.

3. Frequency of Awards

3.1 Regular Awards. Regular awards will be made annually. Awards and their vesting schedule will be submitted to the Human Resources Committee for approval or shall otherwise be authorized by the Human Resources Committee.

3.2 Interim Grants for Promotions and New Employees. The Committee reserves discretion to make awards to any one or more employees between annual grants.

4. Guidelines For Award Amounts.

4.1 Award amounts will follow Guidelines to be established by the Committee from time to time. These Guidelines will remain effective until changed by the Human Resources Committee. To promote equitable operation of the Plans, it is contemplated that the Guidelines will be modified periodically to reflect the current factors/assumptions that form the basis for the Guidelines.

4.2 (a) The Guidelines will be used to calculate Target Awards. Maximum and minimum share amounts may be set on each side of the Target Award. The value of the Target Award will be calculated using a percentage of salary. This percentage will vary for each grade level based on competitive factors.

(b) The Guidelines will consider the following factors and assumptions:

- (i) Current value of the Company's stock.
- (ii) Compounded growth rate assumption for the stock's value.
- (iii) Compounded growth rate assumption for salaries.
- (iv) Competitive environment.

(c) The amount of shares in a stock option award will be a multiple of the restricted stock award in order to achieve equivalent target value at the end of the vesting period.

The Guidelines are intended to assist in the calculation of pro-rata grants. However, since the circumstances of each individual may be different and may require special consideration, the Guidelines are not mandatory in all cases.

5. Award Certificates. Participation letters or award certificates will be issued in respect of shares awarded to a participant and shall be deposited with the Company along with an executed stock power. The stock power will be used to re-transfer forfeited or cancelled stock back to the Company.

6. Restrictions Upon Transfer of Restricted Stock.

6.1 Restriction Period. Restrictions will be determined for each restricted stock award at the time the grant is made. During the restriction period, shares may not be sold, assigned, pledged, encumbered or used as collateral for a loan. All other rights as a stockholder shall apply to restricted stock as would apply to issued stock (i.e., dividends, voting, etc.).

6.2 Lapse of Restrictions. When the restrictions on shares are lifted, the stock certificate will be released to the participant, or to his beneficiary or estate, subject to any restrictive legend as may be required by law.

6.3 Types of Vesting -- Performance and Longevity. Grants of restricted stock and stock options will normally vest based upon continued active service (longevity). However, the Human Resources Committee may grant awards of restricted stock or stock options that have either performance vesting, longevity vesting, or both. If performance restricted shares or performance stock options are granted, the vesting of such shares generally will occur only if the Company has met certain performance criteria established by the Board of Directors for the fiscal year that is substantially completed prior to such vesting date.

In the event that performance criteria for a particular fiscal year are not met, any performance restricted shares or performance stock options scheduled to vest with respect to that year will be forfeited back into the plan; provided, however, that the Board of Directors, upon recommendation of the Human Resources Committee, shall have discretion to make exceptions to the provisions concerning forfeiture of performance restricted shares and performance stock options. The Board of Directors has broad discretion to set and modify such performance criteria and, in its sole and absolute discretion, may vary the performance standards among holders of performance restricted shares and/or performance stock options and may waive any performance standards set. When adjusting or waiving performance standards, the Board of Directors, upon recommendation of the

Human Resources Committee, shall also have discretion to provide for vesting or partial vesting of performance restricted shares or performance stock options for participants who are not employed for a full performance period.

7. Vesting on Change in Control of the Company.

7.1 In the event of a Change in Control of the Company, as hereinafter defined, all outstanding restricted shares and all unvested options granted whether such shares or options were granted before or after the approval dates of these regulations shall vest.

7.2 Subject to Section 7.3 below, a "Change in Control" of the Company shall be deemed to have occurred if:

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

(b) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in clauses (a) or (c) of this Subsection) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) the holders of securities of the Company entitled to vote thereon approve (i) a merger or consolidation regardless of which entity is the surviving company, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or (ii) a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets. The disposition of assets for purposes of repayment of debt shall not be deemed the sale of all or substantially all of the Company's assets.

7.3 Notwithstanding the definition of a "Change in Control" of the Company as set forth in Section 7.2 hereof, the Human Resources Committee shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred, and the date of the occurrence of such Change in Control and any incidental matters relating thereto, with respect to a transaction or series of transactions which have resulted or will result in a substantial portion of the assets or business of the Company (as determined immediately prior to the transaction or series of transactions by the Human Resources Committee in its sole discretion, which determination shall be final and conclusive) being held by a corporation at least 80% of whose voting securities are held, immediately following such transaction or series of transactions, by holders of the voting securities of the Company (determined immediately prior to such transaction or series of transactions). The Human Resources Committee may exercise such discretionary authority without regard to whether one or more of the transactions in such series of transactions would otherwise constitute a Change in Control of the Company under the definition set forth in Section 7.2 hereof. If the Human Resources Committee determines that a Change in Control of the Company has not occurred, then Section 9 of the Restricted Stock Plan and Section N of the Stock Option Plan, which provide for adjustments in restricted shares and stock options on the terms set forth therein, shall be applicable to such transaction or series of transactions.

8. Forfeiture of Restricted Shares and Stock Options.

8.1 In the event that a participant terminates active employment with the Company or any affiliate of the Company voluntarily or involuntarily including by reason of retirement (except in the event of death or disability as provided herein), then (subject to any agreement with the participant) all restricted shares and all stock options which shares or options at that time have not yet vested shall be forfeited by the participant to the Company without payment of any consideration by the Company. Neither the participant, nor any successor, heir, assign or personal representative of the participant, shall have any further right to or interest in such restricted shares or stock options or the certificate or certificates evidencing them. Such forfeited shares or options shall be available for reissuance under the Plans.

8.2 In the event any employee holding stock options retires (leaves employment at age 55 or older with ten or more years of service), then such person shall have a period of two years in the event of ten or more years of service, or three years in the event of 20 or more years of service, after the retirement date to exercise any outstanding stock options which are vested (exercisable) or become vested (exercisable) as of the retirement date, provided that (1) for incentive stock options, this two or three year period will not extend beyond the normal term of the option and (2) for non-incentive options, the term of the option will be extended up to a maximum term of thirteen years and one day to accommodate the two or three year

extension in cases where retirement, death or determination of disability occurs within the three year period prior to the end of the normal term of the option. This provision shall apply to all options whether granted before or after the approval dates of these regulations.

8.3 In the event of the participant's death or disability, then (subject to any agreement with the participant) one half of all unvested restricted shares and one half of all unvested stock options shall vest as of the date of death or determination of disability and the remaining shares shall be forfeited. With respect to vested options upon a participant's death or disability, the participant or his legal representative shall have the right to exercise such options for a period of two years in the event of ten or more years of service, or three years in the event of 20 or more years of service, after such death or determination of disability, provided that (1) for incentive stock options, this two or three year period will not extend beyond the normal term of the option and (2) for non-incentive options, the term of the option will be extended up to a maximum term of thirteen years and one day to accommodate the two or three year extension in cases where retirement, death or determination of disability occurs within the three year period prior to the end of the normal term of the option. This provision shall apply to all options whether granted before or after the approval dates of these regulations.

8.4 For purposes of administration, a participant shall be deemed disabled when a determination is made (while the participant is an employee or is on authorized sick leave) that the participant qualifies for long-term

disability insurance under the LTD policy of the Company's affiliate who is the participant's employer.

8.5 The Human Resources Committee shall have sole discretion to make exceptions to the provisions in this section 8 regarding the forfeiture of restricted shares and stock options for persons who are subject to Section 16 of the Securities Exchange Act. The Chief Executive Officer is hereby granted authority to make exceptions regarding such forfeitures for all other employees without the necessity for Committee approval. The provisions of this Section 8.5 shall apply to all awards of stock options and restricted stock whether granted before or after the date of these regulations.

9. Rights to Terminate Employment. No award shall confer upon a participant the right to continue in the employment of the Company or its affiliates or affect any right which the Company or its affiliates may have to terminate the employment of a participant with or without cause.

10. Withholding. Whenever the Company proposes or is required to issue, transfer, or release shares of Common Stock under the Plans or to make any payments to a participant, the Company or its affiliates shall have the right to withhold from any sums due to the recipient, or to require the recipient to remit to the Company or its affiliates, any amount sufficient to satisfy any federal, state and/or local withholding tax requirements prior to the delivery of any stock certificates or any payments to the participant. Whenever

payments are to be made in cash, such payments shall be net of an amount sufficient to satisfy any federal, state and/or local withholding tax requirements imposed with respect to such payments. The Company shall have flexibility to use any reasonable methods or procedures to satisfy withholding tax requirements including but not limited to the right to charge reasonable interest on amounts due, to withhold amounts from any other sums due a participant, and/or to sell a portion of vested shares in order to satisfy withholding taxes.

11. Discretion of Human Resources Committee and Chief Executive Officer. These ----- regulations may be amended by the Human Resources Committee at any time and are not intended to limit the discretion or rights of the Chief Executive Officer, the Human Resources Committee, or the Board of Directors as provided under the Plans.

VDY/kmr

PROMUS COMPANIES
[LOGO]

December 20, 1994

To:

In fiscal 1994, the Company granted the following stock options to you:

- Grant Date:
- Number of Options:
- Option price:
- Vesting Dates:

These grants constitute a "mega-grant" which was intended to combine, in shares that would in all likelihood have been awarded in 1994, 1995, and 1996. The Company's Human Resources Committee has re-evaluated this "mega-grant" policy and has determined to return to an annual award system. Accordingly, the Human Resources Committee has cancelled and terminated two-thirds of the 1994 "mega-grant" effective December 16, 1994, subject to the consent of individual optionees. If you consent to this cancellation and termination, please sign below and return this letter to me.

Stock Options Cancelled and Terminated:

- Grant Date:
- Number of Options:
- Option price:
- Vesting Dates:

Very truly yours,

The Promus Companies Incorporated

By: _____

Consented to:

Signature

Printed Name

Title

THE PROMUS COMPANIES INCORPORATED
COMPUTATIONS OF PER SHARE EARNINGS

	FISCAL YEAR ENDED DECEMBER 31,		
	1994	1993	1992
Income from continuing operations.....	\$ 49,984,000	\$74,867,000	\$49,577,000
Earnings from discontinued hotel operations, net...	36,319,000	16,926,000	1,841,000
Extraordinary items, net.....	-	(5,447,000)	1,074,000
Cumulative effect of change in accounting policy, net.....	(7,932,000)	-	-
Net income.....	\$ 78,371,000	\$86,346,000	\$52,492,000
PRIMARY EARNINGS PER SHARE (1)			
Weighted average number of common shares outstanding.....	101,604,698	100,678,398	99,409,722
Common stock equivalents Additional shares based on average market price for period applicable to:			
Restricted stock.....	461,408	1,045,704	1,399,302
Stock options.....	744,205	838,272	306,702
Average number of primary common and common equivalent shares outstanding.....	102,810,311	102,562,374	101,115,726
PRIMARY EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE			
Income from continuing operations.....	\$ 0.49	\$ 0.73	\$ 0.49
Discontinued hotel operations, net.....	0.35	0.16	0.02
Extraordinary items, net.....	-	(0.05)	0.01
Change in accounting policy, net.....	(0.08)	-	-
Net income.....	\$ 0.76	\$ 0.84	\$ 0.52
FULLY DILUTED EARNINGS PER SHARE (1)			
Average number of primary common and common equivalent shares outstanding.....	102,810,311	102,562,374	101,115,726
Additional shares based on period-end price applicable to:			
Restricted stock.....	89,655	11,497	-
Stock options.....	-	107,454	304,263
Average number of fully diluted common and common equivalent shares outstanding.....	102,899,966	102,681,325	101,419,989
FULLY DILUTED EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE			
Income from continuing operations.....	\$ 0.49	\$ 0.73	\$ 0.49
Discontinued hotel operations, net.....	0.35	0.16	0.02
Extraordinary items, net.....	-	(0.05)	0.01
Change in accounting policy, net.....	(0.08)	-	-
Net income.....	\$ 0.76	\$ 0.84	\$ 0.52

(1) Retroactively adjusted for stock splits. (See Note 5.)

THE PROMUS COMPANIES INCORPORATED
COMPUTATIONS OF RATIOS
(IN THOUSANDS, EXCEPT RATIO AMOUNTS)

	FISCAL YEAR				
	1994	1993	1992	1991	1990
RETURN ON REVENUES-CONTINUING					
Income from continuing operations.....	\$ 49,984	\$ 74,867	\$ 49,577	\$ 34,499	\$ 30,707
Revenues.....	1,339,406	1,020,645	894,384	863,385	875,335
Return.....	3.7%	7.3%	5.5%	4.0%	3.5%
RETURN ON AVERAGE INVESTED CAPITAL					
Income from continuing operations.....	\$ 49,984	\$ 74,867	\$ 49,577	\$ 34,499	\$ 30,707
Add: Interest expense after tax.....	46,993	43,848	46,543	55,301	52,958
	\$ 96,977	\$ 118,715	\$ 96,120	\$ 89,800	\$ 83,665
Average invested capital.....	\$1,391,289	\$1,257,017	\$1,110,959	\$1,013,785	\$914,793
Return.....	7.0%	9.4%	8.7%	8.9%	9.1%
RETURN ON AVERAGE EQUITY					
Income from continuing operations.....	\$ 49,984	\$ 74,867	\$ 49,577	\$ 34,499	\$ 30,707
Average equity.....	606,009	474,733	395,212	298,901	361,258
Return.....	8.2%	15.8%	12.5%	11.5%	8.5%
CURRENT RATIO					
Current assets.....	\$ 171,835	\$ 139,842	\$ 114,670	\$ 91,289	\$ 75,257
Current liabilities.....	295,083	188,258	122,935	178,433	161,243
Ratio.....	0.6	0.7	0.9	0.5	0.5
RATIO OF BOOK EQUITY TO DEBT					
Book equity as of December 31.....	\$ 623,437	\$ 536,037	\$ 427,930	\$ 365,494	\$213,289
Total debt.....	728,529	666,161	662,915	655,174	752,963
Ratio.....	0.9	0.8	0.6	0.6	0.3
RATIO OF MARKET EQUITY TO DEBT					
Market equity as of December 31.....	\$3,161,681	\$4,678,304	\$1,867,828	\$ 743,369	\$399,795
Total debt.....	728,529	666,161	662,915	655,174	752,963
Ratio.....	4.3	7.0	2.8	1.1	0.5

EXHIBIT 12 (CONTINUED)

THE PROMUS COMPANIES INCORPORATED
COMPUTATIONS OF RATIOS
(IN THOUSANDS, EXCEPT RATIO AMOUNTS)

	FISCAL YEAR				
	1994	1993	1992	1991	1990
RATIO OF EBITDA TO INTEREST PAID					
Income from continuing operations.....	\$ 49,984	\$ 74,867	\$ 49,577	\$ 34,499	\$ 30,707
Add/(less):					
Income tax provision.....	75,391	59,394	35,479	24,566	23,505
Interest expense.....	78,322	73,080	77,571	92,169	88,263
Interest expense of nonconsolidated affiliates	(1,959)	-	-	-	-
Depreciation and amortization.....	86,644	70,207	63,826	67,233	71,104
Deferred finance charge amortization.....	(2,844)	(3,261)	(4,661)	(5,330)	(4,655)
Amortization of debt discounts and premiums....	(176)	(172)	(194)	(252)	122
Net losses of and distributions from nonconsolidated affiliates	12,398	(37)	167	118	-
Earnings before interest, taxes, depreciation and amortization.....	\$ 297,760	\$ 274,078	\$ 221,765	\$ 213,003	\$209,046
Interest expense.....	\$ 78,322	\$ 73,080	\$ 77,571	\$ 92,169	\$ 88,263

Add/(less):

Interest expense of nonconsolidated affiliates	(1,959)	-	-	-	-
Deferred finance charge amortization.....	(2,844)	(3,261)	(4,661)	(5,330)	(4,655)
Amortization of debt discounts and premiums....	(176)	(172)	(194)	(252)	122
Capitalized interest.....	3,764	3,107	2,297	1,558	4,542
	-----	-----	-----	-----	-----
Interest paid.....	\$ 77,107	\$ 72,754	\$ 75,013	\$ 88,145	\$ 88,272
	-----	-----	-----	-----	-----
Ratio of EBITDA to interest paid.....	3.9	3.8	3.0	2.4	2.4
	-----	-----	-----	-----	-----

EXHIBIT 12 (CONTINUED)

THE PROMUS COMPANIES INCORPORATED
 COMPUTATIONS OF RATIOS
 (IN THOUSANDS, EXCEPT RATIO AMOUNTS)

	FISCAL YEAR				
	1994	1993	1992	1991	1990
RATIO OF DEBT TO EBITDA					
Total debt.....	\$ 728,529	\$ 666,161	\$ 662,915	\$ 655,174	\$752,963
Income from continuing operations.....	\$ 49,984	\$ 74,867	\$ 49,577	\$ 34,499	\$ 30,707
Add/(less):					
Income tax provision.....	75,391	59,394	35,479	24,566	23,505
Interest expense.....	78,322	73,080	77,571	92,169	88,263
Interest expense of nonconsolidated affiliates	(1,959)	-	-	-	-
Depreciation and amortization.....	86,644	70,207	63,826	67,233	71,104
Deferred finance charge amortization.....	(2,844)	(3,261)	(4,661)	(5,330)	(4,655)
Amortization of debt discounts and premiums....	(176)	(172)	(194)	(252)	122
Net losses of and distributions from nonconsolidated affiliates	12,398	(37)	167	118	-
Earnings before interest, taxes, depreciation and amortization.....	\$ 297,760	\$ 274,078	\$ 221,765	\$ 213,003	\$209,046
Ratio of total debt to EBITDA.....	2.4	2.4	3.0	3.1	3.6

EXHIBIT 12 (CONTINUED)

THE PROMUS COMPANIES INCORPORATED
 COMPUTATIONS OF RATIOS
 (IN THOUSANDS, EXCEPT RATIO AMOUNTS)

	FISCAL YEAR				
	1994	1993	1992	1991	1990
RATIO OF EARNINGS TO FIXED CHARGES					
Income from continuing operations.....	\$ 49,984	\$ 74,867	\$ 49,577	\$ 34,499	\$ 30,707
Add:					
Provision for income taxes.....	75,391	59,394	35,479	24,566	23,505
Interest expense.....	78,322	73,080	77,571	92,169	88,263
Interest included in rental expense.....	5,244	7,207	3,648	3,801	3,936
Amortization of capitalized interest.....	628	892	311	1,655	276
(Income) or loss from equity investments.....	-	(89)	167	-	-
Earnings as defined.....	\$ 209,569	\$ 215,351	\$ 166,753	\$ 156,690	\$146,687
Fixed charges:					
Interest expense.....	\$ 78,322	\$ 73,080	\$ 77,571	\$ 92,169	\$ 88,263
Capitalized interest.....	3,764	3,107	2,297	1,558	4,542
Interest included in rental expense.....	5,244	7,207	3,648	3,801	3,936
Total fixed charges.....	\$ 87,330	\$ 83,394	\$ 83,516	\$ 97,528	\$ 96,741
Ratio of earnings to fixed charges.....	2.4	2.6	2.0	1.6	1.5

SUBSIDIARIES
THE PROMUS COMPANIES INCORPORATED

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
Compass, Inc.	Tennessee	100%	11/16/94
EJP Corporation	Delaware	100%	10/31/91
Suite Life, Inc.	Delaware	100%	07/11/86
Embassy Development Corporation	Delaware	100%	08/24/87
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
Embassy Memphis Corporation	Tennessee	100%	12/03/92
Embassy Pacific Equity Corporation	Delaware	100%	01/24/89
Embassy Suites Club No. 1, Inc.	Kansas	100%	01/19/84
Embassy Suites Club No. Three, Inc.	Louisiana	100%	11/03/94
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
GOL (Heathrow), Inc.	Tennessee	100%	10/27/87
Hampton Inns, Inc.	Delaware	100%	03/23/84
GOL Texas, Inc.	Texas	49%	02/28/89
Old Town Hotel Corporation	Delaware	100%	08/17/94
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

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Harrah's Club	Nevada	100%	06/07/71
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 Arkansas Casino Corporation	Nevada	100%	08/02/94
Harrah's Arkansas Casino Management Company	Nevada	100%	08/02/94
Harrah's Biloxi Bay, Inc.	Nevada	100%	01/07/93
Harrah's California Corporation	Nevada	100%	02/02/94
Harrah's California SSR Corporation	Nevada	100%	10/12/94
Harrah's Casino Saskatchewan Corporation	Nevada	100%	03/12/93
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 Interactive Entertainment Company	Nevada	100%	09/21/94
Harrah's Interactive Investment Company	Nevada	100%	09/21/94
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 Carolina Casino Corporation	North Carolina	100%	12/22/94
Harrah's Nova Scotia Casino Limited	Nova Scotia	100%	07/25/94
Harrah's-North Kansas City Corporation	Nevada	100%	02/23/93
Harrah's Ohio Corporation	Nevada	100%	11/02/94
Harrah's Ohio Management Company	Nevada	100%	11/02/94
Harrah's Pennsylvania Development Co.	Nevada	100%	05/18/94
Harrah's Pittsburgh Investment Company	Nevada	100%	05/26/94
Harrah's Pittsburgh Management Company	Nevada	100%	06/08/94
Harrah's Regina Casino Corporation	Nevada	100%	09/09/94

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THE PROMUS COMPANIES INCORPORATED

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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 Corporation	Nevada	100%	08/10/92
Harrah's Vicksburg Corporation	Nevada	100%	07/13/92
Harrah's Virginia Corporation	Nevada	100%	12/01/94
Harrah's Washington Corporation	Nevada	100%	02/03/94
Harrah's Wheeling Corporation	Nevada	100%	04/29/94
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

** 50% Pacific Hotels, Inc., 50% Embassy Suites, Inc.

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YEAR		
	DEC-31-1994	
	DEC-31-1994	84,968
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	171,835	
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295,083		
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		10,240
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		0
		613,197
1,737,965		
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	1,339,406	
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		1,025,999
		44,220
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	78,322	
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		75,391
49,984		
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		7,932
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		0.76