

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD
ENDED MARCH 31, 1995

OR

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

Commission File No. 1-10410

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

Delaware
(State of Incorporation)

I.R.S. No. 62-1411755
(I.R.S. Employer
Identification No.)

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

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

Yes X No
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At March 31, 1995, there were outstanding 102,518,639 shares of the Company's Common Stock.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited consolidated condensed financial statements of The Promus Companies Incorporated (Promus or the Company), a Delaware corporation, have been prepared in accordance with the instructions to Form 10-Q, and therefore do not include all information and notes necessary for complete financial statements in conformity with generally accepted accounting principles. The results for the periods indicated are unaudited, but reflect all adjustments (consisting only of normal recurring adjustments) which management considers necessary for a fair presentation of operating results. Results of operations for interim periods are not necessarily indicative of a full year of operations. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Promus' 1994 Annual Report to Stockholders.

As discussed in Notes 1 and 2, 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. As a result of this announcement, these consolidated condensed financial statements reflect the hotel business as discontinued operations.

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)

(In thousands, except share amounts)	March 31, 1995	Dec. 31, 1994
ASSETS		
Current assets		
Cash and cash equivalents	\$ 71,200	\$ 84,968
Receivables, including notes receivable of \$658 and \$528, less allowance for doubtful accounts of \$10,417 and \$9,460	40,932	33,051
Deferred income taxes	19,363	18,979
Supplies	11,194	11,463
Prepayments and other	23,059	23,374
	-----	-----
Total current assets	165,748	171,835
	-----	-----
Land, buildings, riverboats and equipment	1,621,398	1,602,620
Less: accumulated depreciation	(489,919)	(472,779)
	-----	-----
	1,131,479	1,129,841
Net assets of discontinued hotel operations (Notes 1 and 2)		
	160,332	143,008
Investments in and advances to nonconsolidated affiliates	111,499	116,932
Deferred costs and other	174,034	176,349
	-----	-----
	\$1,743,092	\$1,737,965
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 56,563	\$ 54,621
Accrued litigation settlement and related costs (Note 8)	1,873	72,101
Construction payables	2,589	10,879
Accrued expenses	167,321	156,446
Current portion of long-term debt	1,330	1,036
	-----	-----
Total current liabilities	229,676	295,083
Long-term debt	758,150	727,493
Deferred credits and other	73,259	66,735
Deferred income taxes	8,792	7,138
	-----	-----
	1,069,877	1,096,449
	-----	-----
Minority interests	20,002	18,079
	-----	-----
Commitments and contingencies (Notes 7 and 8)		
Stockholders' equity		
Common stock, \$0.10 par value, authorized - 360,000,000 shares, outstanding - 102,518,639 and 102,402,619 shares (net of 20,060 and 37,172 shares held in treasury)	10,252	10,240
Capital surplus	358,456	350,196
Retained earnings	288,676	265,574
Deferred compensation related to restricted stock	(4,171)	(2,573)
	-----	-----
	653,213	623,437
	-----	-----
	\$1,743,092	\$1,737,965
	=====	=====

See accompanying Notes to Consolidated Condensed Financial Statements.

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

	First Quarter Ended	
	March 31, 1995	March 31, 1994
(In thousands, except per share amounts)		
Revenues		
Casino	\$298,532	\$243,010
Food and beverage	41,885	36,415
Rooms	24,654	23,779
Management fees	2,977	258
Other	23,390	15,768
Less: casino promotional allowances	(34,957)	(28,998)
	-----	-----
Total revenues	356,481	290,232
	-----	-----
Operating expenses		
Direct		
Casino	144,550	112,634
Food and beverage	18,942	18,324
Rooms	7,640	8,063
Depreciation of buildings, riverboats and equipment	18,249	15,872
Development costs	4,248	3,624
Other	85,049	64,785
	-----	-----
Total operating expenses	278,678	223,302
	-----	-----
Operating profit before corporate expense	77,803	66,930
Corporate expense	(5,382)	(4,892)
	-----	-----
Operating income	72,421	62,038
Interest expense, net of interest capitalized	(18,328)	(18,037)
Interest expense, net, from nonconsolidated affiliates	(3,736)	-
Provision for settlement of litigation and related costs (Note 8)	-	(646)
Interest and other income	2,033	404
	-----	-----
Income before income taxes and minority interest	52,390	43,759
Provision for income taxes	(20,357)	(16,951)
Minority interests	(3,337)	(4,723)
	-----	-----
Income from continuing operations	28,696	22,085
Discontinued operations		
Earnings from hotel operations, net of tax provision of \$6,983 and \$5,936 (Note 2)	9,604	6,131
Spin-off transaction expenses, net of tax benefit of \$3,552	(15,198)	-
	-----	-----
Income before cumulative effect of change in accounting policy	23,102	28,216
Cumulative effect of change in accounting policy, net of tax benefit of \$4,317	-	(7,932)
	-----	-----
Net income	\$ 23,102	\$ 20,284
	=====	=====
Earnings per share		
Continuing operations	\$ 0.28	\$ 0.21
Discontinued operations		
Earnings of hotel operations, net	0.09	0.07
Spin-off transaction expenses, net	(0.15)	-
Cumulative effect of change in accounting policy, net	-	(0.08)
	-----	-----
Earnings per share	\$ 0.22	\$ 0.20
	=====	=====
Average common shares outstanding	103,014	102,907
	=====	=====

See accompanying Notes to Consolidated Condensed Financial Statements.

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

(In thousands)	First Quarter Ended	
	March 31, 1995	March 31, 1994
Cash flows from operating activities		
Net income	\$ 23,102	\$ 20,284
Adjustments to reconcile net income to cash flows from operating activities		
Discontinued operations		
Earnings from hotel operations	(9,604)	(6,131)
Spin-off transaction expenses, before income taxes	18,750	-
Cumulative effect of change in accounting policy, before income taxes	-	12,249
Depreciation and amortization	22,302	19,717
Other noncash items	5,620	(2,903)
Minority interests share of net income	3,337	4,723
Equity in and distributions of (earnings) losses of nonconsolidated affiliates	6,503	3,982
Net (gains) losses from asset sales	(1,650)	-
Net change in long-term accounts	(6,015)	(375)
Net change in working capital accounts	11,436	14,763
Net change in accrued litigation settlement and related costs	(42,228)	-
Tax indemnification payments to Bass	(28,000)	(4,282)
	-----	-----
Cash flows provided by operating activities	3,553	62,027
	-----	-----
Cash flows from investing activities		
Land, buildings, riverboats and equipment additions	(26,622)	(41,813)
Investments in and advances to nonconsolidated affiliates	(5,089)	(12,645)
Decrease in construction payables	(8,290)	(18,110)
Proceeds from asset sales	3,437	-
Other	(4,278)	(2,913)
	-----	-----
Cash flows used in investing activities	(40,842)	(75,481)
	-----	-----
Cash flows from financing activities		
Net borrowings under Revolving Credit Facility	53,150	15,000
Debt retirements	(766)	(760)
Minority interest distributions, net of contributions	(974)	(2,334)
	-----	-----
Cash flows provided by financing activities	51,410	11,906
	-----	-----
Cash flows from discontinued hotel operations		
Net transfers to (from) discontinued hotel operations	(25,371)	(4,125)
Payment of spin-off transaction expenses	(2,518)	-
	-----	-----
Cash flows used in discontinued operations	(27,889)	(4,125)
	-----	-----
Net change in cash and cash equivalents	(13,768)	(5,673)
Cash and cash equivalents, beginning of period	84,968	58,309
	-----	-----
Cash and cash equivalents, end of period	\$ 71,200	\$ 52,636
	=====	=====

See accompanying Notes to Consolidated Condensed Financial Statements.

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
MARCH 31, 1995
(UNAUDITED)

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 will 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, 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 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.

The consolidated condensed 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, net, from nonconsolidated affiliates. (See Note 9.)

Certain amounts for the first quarter ended March 31, 1994, have been reclassified to conform with the presentation for the first quarter ended March 31, 1995.

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 condensed financial statements. Summarized financial information of the discontinued operations is presented in the following tables:

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 1995
(UNAUDITED)

Note 2 - Discontinued Operations (Continued)

Net assets of discontinued hotel operations:	March 31, 1995	Dec. 31, 1994
Current assets	\$ 31,375	\$ 25,565
Current liabilities	(32,870)	(34,461)
	-----	-----
Net current liabilities	(1,495)	(8,896)
Land, buildings and equipment, net	346,507	322,140
Other assets	79,948	72,860
Long-term debt, including allocated debt (Note 8)	(211,458)	(189,943)
Other liabilities and deferred taxes	(53,170)	(53,153)
	-----	-----
Net assets of discontinued hotel operations	\$ 160,332	\$ 143,008
	=====	=====
Earnings from discontinued hotel operations:		
	First Quarter Ended March 31, 1995	March 31, 1994
Revenues	\$ 63,218	\$ 55,555
Costs and expenses	(38,275)	(35,815)
	-----	-----
Operating income	24,943	19,740
Interest expense	(8,407)	(7,700)
Other expense	51	27
	-----	-----
Income before income taxes	16,587	12,067
Provision for income taxes	(6,983)	(5,936)
	-----	-----
Earnings from discontinued hotel operations	\$ 9,604	\$ 6,131
	=====	=====

In addition to the earnings of its discontinued hotel operations, Promus' first quarter 1995 operating results also include a charge of \$15.2 million, net of tax, to accrue the estimated expenses of the PHC Spin-off transaction.

In anticipation of the PHC Spin-off, Embassy Suites, Inc. (Embassy), a wholly-owned subsidiary of Promus is negotiating a new \$350 million bank facility (Hotel Facility), to be secured by the stock of PHC's material subsidiaries. Immediately prior to the PHC spin-off, Embassy will draw approximately \$210 million on the Hotel Facility and retire a portion of Promus' existing corporate debt. Upon consummation of the PHC Spin-off, the Hotel Facility will be assumed by PHC, and Embassy will be released from liability. In addition, it is expected that PHC will assume two of Promus' existing interest rate swaps, with a total notional amount of \$100 million, converting that amount of variable rate debt which will be outstanding under the Hotel Facility to a fixed rate.

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 1995
(UNAUDITED)

Note 2 - Discontinued Operations (Continued)

Promus' corporate debt is not specifically related to either its casino entertainment or hotel segment. However, corporate debt service requirements have been met using cash flows provided by both segments. Therefore, in anticipation of the PHC Spin-off, a portion of Promus' corporate debt balance, unamortized deferred finance charges and interest expense has been allocated to discontinued hotel operations for the periods presented based on the percentage of Promus' existing corporate debt expected to be retired using proceeds from the Hotel Facility. The corporate debt allocated to discontinued hotel operations of \$209.3 million and \$187.8 million at March 31, 1995 and December 31, 1994, respectively, together with debt specifically related to PHC of \$3.2 million and \$3.3 million at March 31, 1995, and December 31, 1994, respectively, are included in net assets of discontinued hotel operations in the accompanying Consolidated Condensed Balance Sheets. In addition, unamortized deferred finance charges of \$3.2 million at March 31, 1995 and December 31, 1994, and interest expense of \$5.0 million and \$4.6 million for the first quarter ended March 31, 1995 and 1994, respectively, have been allocated to discontinued hotel operations.

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 \$37 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.

As part of the planned public offering of common stock of a real estate investment trust (REIT) which is a franchisee, Embassy has committed to invest up to \$25 million in a partnership owned by the REIT. Upon completion of the PHC Spin-off, this commitment will be assigned to PHC.

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 1995
(UNAUDITED)

Note 3 - Change in Accounting Policy

On October 3, 1994, Promus changed its accounting policy effective January 1, 1994, relating to preopening costs to capitalize such costs as incurred prior to opening and to expense them upon opening of each project. Previously, Promus had capitalized preopening costs and amortized them to expense over 36 months from the date of opening. As a result of this change, operating results for the first quarter ended March 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 balances related to projects opened in prior years.

Note 4 - Long-Term Debt

During second quarter 1995, Promus announced its intention to redeem the approximately \$18.1 million principal amount outstanding of the 11% Subordinated Debentures due 1999 of Embassy. The cost of this redemption is not material.

Promus is negotiating amendments to the current bank facility in connection with the PHC Spin-off which include, among other things, an adjustment in its borrowing capacity and modifications to certain financial covenants.

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 March 31, 1995 and 1994, Promus was a party to the following 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 6.4% and 3.4% at March 31, 1995 and 1994, 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	Swap Rate (LIBOR+)	Effective Rate at March 31,		Next Semi-Annual Rate Adjustment Date	Swap Maturity
		1995	1994		
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%	10.01%	8.69%	July 15	July 1998

In accordance with the terms of the interest rate swap agreements, the effective interest rate on the \$200 million 10 7/8% Notes was adjusted on April 15, 1995, to 11.26%.

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 1995
(UNAUDITED)

Note 4 - Long-Term Debt (Continued)

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 March 31, 1995, 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 first quarter 1995, Promus entered into six additional interest rate swap agreements to effectively convert a total of \$300 million in variable rate debt to a fixed rate. Pursuant to the terms of these 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 March 31, 1995	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

Subsequent to March 31, 1995, Promus entered into an additional interest rate swap agreement to convert \$50 million in variable rate debt to a fixed rate. Under the swap agreement, which matures in May 2000, Promus pays an effective fixed rate of 7.401% and receives a variable rate which is currently 6.125%.

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, which on January 30, 1995, was adjusted to LIBOR plus 1.0%. The negative value of the swap, which is marked to market by Promus, was approximately \$0.4 million at March 31, 1995. Adjustments to the swap's market value are included in interest expense in the Consolidated Statements of Income. Promus' guarantee and the swap agreement expire December 1, 1996, and are also subject to

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 1995
(UNAUDITED)

Note 4 - Long-Term Debt (Continued)

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.

Note 5 - Stockholders' Equity

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 6 - Supplemental Disclosure of Cash Paid for Interest and Taxes

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

(In thousands)	First Quarter Ended March 31, 1995	March 31, 1994
Interest expense, net of amount capitalized	\$18,328	\$18,037
Adjustments to reconcile to cash paid for interest		
Net change in accruals	11,289	(3,932)
Amortization of deferred finance charges	(728)	(647)
Net amortization of discounts and premiums	(25)	(43)
	-----	-----
Cash paid for interest, net of amount capitalized	\$28,864	\$13,415
	=====	=====
Cash payments for income taxes, net of refunds	\$13,220	\$4,454
	=====	=====

Note 7 - Commitments and Contingent Liabilities

Contractual Commitments

Promus is pursuing many casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties, guarantees by Promus of third party debt and development completion guarantees. As of March 31, 1995, Promus has guaranteed third party loans and leases of \$98 million, which are secured by certain assets, and has other contractual commitments, of \$30 million, excluding amounts previously recorded.

See Note 9 for discussion of the completion guarantee provided to Harrah's Jazz Company by Promus related to development of the New Orleans casino.

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 1995
(UNAUDITED)

Note 7 - Commitments and Contingent Liabilities (Continued)

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 March 31, 1995, is approximately \$7.8 million.

Self-Insurance

Promus is self-insured for various levels of general liability, workers' compensation and employee medical coverage. Insurance claims and reserves include accruals of estimated settlements for known and anticipated claims, as well as accruals of actuarial estimates of incurred but not reported claims.

Severance Agreements

Promus has severance agreements with eleven of its senior executives which provide for payments to the executives in the event of their termination after a change in control, as defined, of Promus. These agreements provide, among other things, for a compensation payment equal to 2.99 times the average annual compensation paid to the executive for the five preceding calendar years, as well as for accelerated payment or accelerated vesting of any compensation or awards payable to the executive under any of Promus' incentive plans. The estimated amount, computed as of March 31, 1995, that would have been payable under the agreements to these executives based on earnings and stock options aggregated approximately \$35.2 million.

Tax Sharing Agreements

Under the terms of the Settlement between Promus and Bass PLC (Bass) (see Note 8), the Tax Sharing Agreement entered in connection with the February 7, 1990, spin-off (the Spin-off) of the stock of Promus to stockholders of Holiday Corporation has been 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.

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 1995
(UNAUDITED)

Note 8 - Litigation

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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, a charge of \$49.2 million was recorded in fourth quarter 1994's operating results to accrue the estimated cost of the Settlement, the related legal fees and other associated expenses. Operating results for first quarter 1994 include \$0.6 million of legal fees and other expenses incurred related to Promus' defense of this litigation. The provision for settlement of litigation and related costs is not expected to be deductible for federal income tax purposes.

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.

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 1995
(UNAUDITED)

Note 9 - 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 and voting control of the partnership in any event continues to be shared equally by each partner during the option period. 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 March 31, 1995 and December 31, 1994, and for the first quarter ended March 31, 1995 and 1994 were as follows:

	March 31, 1995	Dec. 31, 1994	
Summarized Balance Sheet Information			
Current assets	\$411,213	\$454,295	
Land, buildings and equipment, net	123,587	69,608	
Other assets	140,964	141,488	
	-----	-----	
Total assets	675,764	665,391	
	-----	-----	
Current liabilities	52,208	23,894	
Long-term debt	510,000	510,000	
	-----	-----	
Total liabilities	562,208	533,894	
	-----	-----	
Net assets	\$113,556	\$131,497	
	=====	=====	
First Quarter Ended			
	March 31, 1995	March 31, 1994	
Summarized Statements of Operations			
Revenues	\$ -	\$ -	
	=====	=====	
Operating loss	\$ (8,193)	\$ (6,519)	
	=====	=====	
Net loss	\$(17,941)	\$ (6,734)	
	=====	=====	

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 1995
(UNAUDITED)

Note 9 - Nonconsolidated Affiliates (Continued)

The current estimated cost of the project is \$816 million, of which approximately \$336 million had been incurred as of March 31, 1995, and is being financed through a combination of partner capital contributions, public debt securities, bank debt and operating cash flow from the temporary casino being 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.

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

	First Quarter Ended	
	March 31, 1995	March 31, 1994
(In thousands)		
Pre-interest operating loss (included in Revenues-other)	\$ (2,803) =====	\$ (3,226) =====
Interest expense (included in Interest expense from nonconsolidated affiliates)	\$ (3,736) =====	\$ - =====
	March 31, 1995	Dec. 31, 1994
(In thousands)		
Promus' investments in and advances to nonconsolidated affiliates		
At equity		
Harrah's Jazz	\$ 65,769	\$ 74,385
Other	21,079	18,320
At cost	24,651	24,227
	----- \$111,499 =====	----- \$116,932 =====

THE PROMUS COMPANIES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 1995
(UNAUDITED)

Note 10 - Summarized Financial Information

Embassy is a wholly-owned subsidiary and the principal asset of Promus. Summarized financial information of Embassy as of March 31, 1995 and December 31, 1994, and for the first quarter ended March 31, 1995 and 1994, prepared on the same basis as Promus, was as follows:

(In thousands)	March 31, 1995	Dec. 31, 1994
Current assets	\$ 162,927	\$ 171,445
Land, buildings, riverboats and equipment, net	1,131,480	1,129,841
Net assets of discontinued hotel operations	160,332	143,008
Other assets	285,297	293,015
	-----	-----
	1,740,036	1,737,309
	-----	-----
Current liabilities	212,049	280,295
Long-term debt	758,150	727,492
Other liabilities	83,295	74,043
Minority interest	20,003	18,267
	-----	-----
	1,073,497	1,100,097
	-----	-----
Net assets	\$ 666,539	\$ 637,212
	=====	=====

(In thousands)	First Quarter Ended March 31, 1995	March 31, 1994
Revenues	\$356,197	\$289,630
	=====	=====
Operating income	\$ 77,247	\$ 65,223
	=====	=====
Income from continuing operations	\$ 28,334	\$ 20,975
	=====	=====
Net income	\$ 22,740	\$ 19,174
	=====	=====

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 \$657.6 million at March 31, 1995.

Item 2. 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 will be renamed Harrah's Entertainment, Inc., will retain ownership of the casino entertainment business. Promus' hotel operations will be transferred to a new entity, 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 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 CONTINUING OPERATIONS

Overall

(in millions, except earnings per share)	First Quarter		Percentage Increase (Decrease)
	1995	1994	
Revenues	\$ 356.5	\$ 290.2	22.9%
Operating income	72.4	62.0	16.8%
Income from continuing operations	28.7	22.1	29.9%
Net income	23.1	20.2	14.4%
Earnings per share			
Continuing operations	0.28	0.22	27.3%
Net income	0.22	0.20	10.0%
Operating margin	20.3%	21.4%	(1.1)pts

Promus' first quarter 1995 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 first quarter 1995's growth occurred within the Riverboat Casino Entertainment Division as a result of an increase in the number of operating riverboat casinos during first quarter 1995 versus the comparable prior year period. First quarter 1995 also includes management fees from Harrah's Phoenix Ak-Chin, Promus' first managed Indian gaming operation, which opened on December 27, 1994. This increase in the number of owned and managed casinos resulted in record revenues and operating income for first quarter 1995.

The increases in operating income provided by the new casino properties were partially offset by lower operating income at Promus' Mississippi and Northern Nevada properties. The Mississippi properties experienced lower gaming volume as the amount of competition has increased over the past twelve months. Northern Nevada experienced unfavorable weather conditions through much of first quarter 1995.

Income from continuing operations for first quarter 1995 also increased as a result of the additional casino entertainment projects now open. Income from discontinued hotel operations for first quarter 1995 increased over first quarter 1994 due to system growth and improved operating efficiencies. Net income for first quarter 1995 increased 14% over first quarter 1994, despite the inclusion of higher one-time charges. First quarter 1995's financial results include a \$15.2 million charge, net of tax, for estimated costs associated with the PHC Spin-off. 1994's first quarter included a charge of \$7.9 million, net of tax, representing the cumulative effect of a change in Promus' accounting policy for preopening costs.

Promus' overall operating margin declined 1.1 percentage points for first quarter 1995 compared with the prior year period primarily due to the combination of increased competition in Mississippi markets and unfavorable weather conditions in Northern Nevada.

The following table summarizes operating profit before preopening costs and corporate expense for the twelve month periods ended March 31, 1995, 1994 and 1993 in millions of dollars and as a percent of the total for each of Promus' casino entertainment divisions:

Operating Profit Contribution
for the Twelve Months
Ended March 31,

	In Millions of Dollars			Percent of Total		
	1995	1994	1993	1995	1994	1993
Riverboat	\$136	\$ 60	\$ -	42%	23%	-
Atlantic City	80	68	63	24	26	34
Southern Nevada	74	79	69	23	30	36
Northern Nevada	70	79	69	21	30	36
Indian Gaming	2	-	-	1	-	-
New Orleans	(8)	(3)	-	(2)	(1)	-
Development costs	(22)	(12)	(7)	(7)	(5)	(3)
Other	(7)	(7)	(6)	(2)	(3)	(3)
Total Promus	\$325	\$264	\$188	100%	100%	100%

Riverboat Division

(in millions)	First Quarter		Percentage Increase/ (Decrease)
	1995	1994	
Revenues	\$ 137.8	\$ 83.1	65.8%
Operating income	40.9	31.5	29.8%
Operating margin	29.7%	37.9%	(8.2)pts
Gaming volume	\$1,736.5	\$ 790.5	119.7%

Revenues and operating income for first quarter 1995 increased over first quarter 1994 primarily due to growth in the number of operating casinos. As of the end of first quarter 1995, the Riverboat Division included the operations of six riverboat casinos, as compared to four in operation at the end of first quarter 1994.

First quarter 1995's overall operating margin for the Riverboat Division declined from first quarter 1994, reflecting primarily decreased operating margins at Promus' Mississippi casinos due to increasingly intense competition in those markets. Although revenues and operating income for first quarter 1995 at the Mississippi properties decreased as a result of the increased

competition, cost management initiatives have allowed the properties to maintain profitability as these markets mature. Operating margins at the Mississippi properties, however, are not expected to return to the levels achieved during the period of limited competition. The overall operating margin for the Riverboat Division remains higher than margins for other divisions due to the operational differences between a riverboat facility and conventional land-based properties.

Southern Nevada Division

(in millions)	First Quarter		Percentage Increase/ (Decrease)
	1995	1994	
Revenues	\$ 72.3	\$ 71.4	1.3%
Operating income	18.0	18.3	(1.6)
Operating margin	24.9%	25.6%	(0.7)pts
Gaming volume	\$726.9	\$754.9	(3.7)%

Gaming volume for this Division decreased in first quarter 1995 from first quarter 1994 levels. Harrah's Las Vegas had gaming revenues slightly higher than the prior year as a result of a 5.7% increase in slot revenue, while increased table game volume was offset by a lower win percentage. Higher nongaming revenues, particularly lodging, contributed to record revenues and operating income in first quarter 1995. The higher overall Las Vegas revenue was offset by lower Laughlin revenues and operating income as this market continues to be affected by regional competition, especially from the Las Vegas market.

Northern Nevada Division

(in millions)	First Quarter		Percentage Increase/ (Decrease)
	1995	1994	
Revenues	\$ 65.0	\$ 70.3	(7.5)%
Operating income	7.6	13.1	(42.0)%
Operating margin	11.7%	18.6%	(6.9)pts
Gaming volume	\$774.3	\$808.6	(4.2)%

Snowstorms in Northern Nevada and heavy rainfall in key California feeder markets during January and March 1995 resulted in lower guestcounts, lower gaming volume, revenues and operating income for first quarter 1995 compared with first quarter 1994. During February 1995, the only month in the quarter with favorable weather conditions, operating income for the Division increased 42% over the prior year.

Atlantic City

(in millions)	First Quarter		Percentage Increase/ (Decrease)
	1995	1994	
Revenues	\$ 77.3	\$ 65.8	17.5%
Operating income	15.8	10.4	51.9%
Operating margin	20.4%	15.8%	4.6pts
Gaming volume	\$809.0	\$684.6	18.2%

Atlantic City's revenue increased in first quarter 1995 as a result of slot volume growth. This increased volume can be attributed to unseasonably mild weather experienced during first quarter 1995, highly focused marketing efforts and a casino renovation completed since first quarter 1994. Cost management initiatives successfully reduced first quarter 1995 incremental operating expenses, resulting in operating margin improvement.

Harrah's New Orleans

Revenues and operating income for first quarter 1995 and 1994 include losses of \$2.9 million and \$3.2 million, respectively, representing 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

(Income)/Expense (in millions)	First Quarter		Percentage Increase/ (Decrease)
	1995	1994	
Corporate expense	\$ 5.4	\$ 4.9	10.2%
Interest expense	22.1	18.0	22.8%
Provision for settlement of litigation and related costs	-	0.6	N/M
Other income	(2.0)	(0.4)	N/M
Effective tax rate	41.5%	44.6%	(3.1)pts
Minority interests	\$ 3.3	\$ 4.7	(29.8)%
Discontinued operations			
Earnings from hotel operations, net of income taxes	(9.6)	(6.6)	45.5%
Spin-off transaction expenses, net of income taxes	(15.2)	-	N/M
Cumulative effect of change in accounting policy, net of income taxes	-	7.9	N/M

Corporate expense in first quarter 1995 increased from the first quarter 1994 level, due primarily to the inclusion in first quarter 1994 of reimbursement of certain expenses. Interest expense increased in first quarter 1995 over first quarter 1994 primarily as a result of the inclusion of Promus' share of Harrah's New Orleans interest expense.

The provision for settlement of litigation and related costs included legal fees and other expenses incurred during first quarter 1994 related to Promus' defense of litigation associated with the 1990 Spin-off of Promus and the acquisition of the Holiday Inn business by Bass PLC. A settlement agreement was reached in March 1995 and accrued in fourth quarter 1994. Payment under the settlement agreement was made using funds provided by Promus' revolving credit facility and by operations. Other income increased in first quarter 1995 over first quarter 1994 as a result of a gain on the sale of certain non-operating property.

The effective tax rates for first quarter 1995 and 1994 are higher than the federal statutory rate primarily due to state income taxes. Minority interests reflect joint venture partners' shares of income at joint venture riverboat casinos.

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 are segregated and reported as discontinued operations in the accompanying consolidated financial statements (see further discussion below). The prior year consolidated statements have been restated to conform to the 1995 presentation.

First quarter 1995 also includes a charge of \$15.2 million, net of tax, to accrue the estimated expenses of the PHC Spin-off transaction. This amount represented management's best estimate of the transaction expenses, including estimated fees to be paid to third parties to consent to the transaction. Actual transaction expenses may increase prior to the consummation of the transaction, and any increases may be material to Promus' results of operations in the quarter in which such expenses are charged. It is anticipated that any additional transaction expenses will be charged against earnings in second quarter 1995.

Effective January 1, 1994, Promus changed its accounting policy related to preopening costs to capitalize such 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. Operating results for first quarter 1994 reflect the cumulative charge against earnings, net of income taxes, of \$7.9 million, or \$0.08 per share, to write off the unamortized preopening costs balances related to projects opened in prior years (see Note 3 to the accompanying consolidated financial statements).

Discontinued Hotel Operations

(in millions)	First Quarter		Percentage Increase
	1995	1994	
Revenues	\$63.2	\$55.6	13.7%
Operating income	24.9	19.7	26.4%
Interest expense	(8.4)	(7.7)	9.1%
Provision for income taxes	(7.0)	(5.9)	18.6%
Net earnings of discontinued hotel operations	9.6	6.1	57.4%
Operating Margin	39.4%	35.4%	4.0pts
System-wide RevPAR/S			
Embassy Suites	\$75.88	\$72.26	5.0%
Hampton Inn	37.97	35.14	8.1%
Homewood Suites	59.34	55.28	7.3%
Number of Hotels			
Company-owned			
Embassy Suites	9	9	
Hampton Inn	15	15	
Homewood Suites	8	8	
Franchised, including managed properties			
Embassy Suites	100	98	
Hampton Inn	439	363	
Homewood Suites	19	18	

Revenues increased in first quarter 1995 over the comparable prior year period as a result of improvement in revenue per available room/suite (RevPAR/S) at all three brands and increased franchise fees due to system growth. Operating income was further increased since these revenues are high-margin and as a result of lower operating expenses at company-owned hotels. Interest expense for both quarters includes an allocation of Promus' corporate interest expense and has increased due to higher hotel debt levels, primarily to purchase a new PHC office building, and higher interest rates on variable rate debt.

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's material subsidiaries and to be assumed by PHC upon the Spin-off. 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. In addition, it is expected that PHC will assume two of Promus' existing interest rate swaps, with a notional amount of \$100 million, converting that amount of variable rate debt which will be outstanding under the Hotel Facility to a fixed rate.

Promus' corporate debt is not specifically related to either its casino entertainment or hotel segment. However, corporate debt service requirements have been met using cash flows provided by both segments. Therefore, in anticipation of the PHC Spin-off, a portion of Promus' corporate debt balance, unamortized deferred finance charges and interest expense has been allocated to discontinued hotel operations for the periods presented based on the percentage of Promus' existing corporate debt expected to be retired using proceeds from the Hotel Facility. The corporate debt allocated to discontinued hotel operations of \$209.3 million and \$187.8 million at March 31, 1995 and December 31, 1994, respectively, together with debt specifically related to PHC of \$3.2 million and \$3.3 million at March 31, 1995 and December 31, 1994, respectively, are included in net assets of discontinued hotel operations in the accompanying Consolidated Condensed Balance Sheets. Unamortized deferred finance charges of \$3.2 million at March 31, 1995 and December 31, 1994, and interest expense of \$5.0 million and \$4.6 million for the first quarter ended March 31, 1995 and 1994, respectively, have been allocated to discontinued hotel operations.

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, is currently developing the sole land-based casino permitted by law to operate in Orleans Parish, Louisiana. Harrah's Jazz has leased and refurbished the New Orleans Municipal Auditorium for use as a temporary casino. This temporary casino, which contains approximately 76,000 square feet of casino space, opened on May 1, 1995, and will operate until the permanent casino entertainment facility is open. Harrah's Jazz has also leased the site of the City's former Rivergate Convention Center, the legally mandated site of the permanent casino, and construction is currently underway on the 400,000 square foot facility (approximately 200,000 square feet of casino space). The permanent facility is expected to open during second quarter 1996, but the timing of completion remains subject to certain pending legal issues, including various litigation affecting the project.

The current estimated project cost of \$816 million, which includes both the temporary casino and permanent casino, is being financed through a combination of partner capital contributions, public debt securities, bank debt and operating cash flow from the temporary casino. Concurrent with closing of financing, Promus 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 14.6% portion of the incremental ownership percentage from Promus 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 full 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.

Riverboat Casino Development

In February 1995, the Shreveport Rose, which contained 19,500 square feet of casino space, was replaced by the Shreve Star, a riverboat casino with 30,000 square feet of casino space. 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, where it will be refurbished at a cost of approximately \$5.5 million and will be available for use at another site. The costs associated with exchanging the riverboats and with maintaining the Shreveport Rose until it is returned to service are not material.

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 first quarter 1995, of which \$11 million is expected to be paid during the remainder of 1995. In March 1995, 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 third quarter 1995 and be completed in third quarter 1996.

During March 1995, the Mississippi Gaming Commission approved the application of a minority partner in the Harrah's Tunica casino entertainment property. The partnership agreement, which was effective on March 30, 1995, is retroactive to the property's opening. In anticipation of the approval of this agreement, the minority partner's share of the property's income has been deferred as minority interest since operations began. As a result, the impact of the approval of this agreement on Promus' consolidated financial statements is not material.

On May 11, 1995, Promus submitted the high bid through a public bankruptcy auction to acquire the former Southern Belle Casino in Tunica County, Mississippi, at a cost of \$34.2 million. The purchase is subject to approval of the courts. Promus intends to open the new facility by first quarter 1996 after completion of a planned renovation of the property. Promus will continue to operate the current Harrah's Tunica Casino, while it also evaluates its long-term options for this facility.

Indian Lands -----

Promus opened its first managed 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 tribe's borrowing for development costs of the casino entertainment facility up to \$26.2 million. In conjunction with this guaranty, Promus has a first lien on the personal property (tangible and intangible) of the casino enterprise. The Ak-Chin tribe has also granted Promus a limited waiver of its sovereign immunity to allow Promus to pursue its rights under the contracts between the parties and to enforce collection efforts as to only the above-referred assets. Additionally, Sodak Gaming, Inc., has provided a guarantee to Promus for one-half of this financing.

In April 1995, Promus received approval from the National Indian Gaming Commission for gaming management and development agreements between Harrah's and the Upper Skagit Indian Tribe. In May 1995, construction began on a planned \$22.8 million casino entertainment facility approximately 70 miles north of Seattle, Washington. Though Promus will not fund the development, it anticipates guaranteeing the related bank financing.

Promus has also previously announced agreements with certain other Indian tribes, which are in various stages of negotiation and are subject to various conditions, including approval from appropriate government agencies, prior to substantive financial involvement by Promus.

International

Promus and its local partner continue construction of a casino in Auckland, New Zealand expected to contain approximately 55,000 square feet of casino space. Promus owns 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\$21.2 million had been contributed at March 31, 1995. Construction of the US\$335 million project, to be financed through a combination of partner contributions and non-recourse debt, is expected to be completed and the facility to be in operation in first quarter 1996.

Existing Casino Facilities

Promus continues construction of a \$28.6 million company-owned hotel 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 during first quarter 1995 totalled approximately \$32 million. Anticipated 1995 capital expenditures are estimated at \$175 million to \$225 million, including the projects discussed in this Capital Spending and Development section as well as other projects, refurbishment of existing facilities and other projects.

DEBT AND LIQUIDITY

Bank Facility

Promus currently has in place a \$650 million reducing revolving and letter of credit facility (the Facility). At March 31, 1995, \$541.7 million in borrowings was outstanding under the Facility, with an additional \$24.4 million committed to back certain letters of credit. These facility commitments resulted in \$83.9 million of the Facility being available to Promus as of March 31, 1995. In connection with the PHC Spin-off, Promus is currently negotiating amendments to the Facility which are expected to include, among other things, an adjustment in its borrowing capacity available under the Facility and modifications to certain financial covenants.

The retirement of the 9% Notes in February 1995 resulted in a reduction of the letter of credit facility portion from \$255 million to \$50 million.

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 March 31, 1995, Promus was a party to the following interest rate swap agreements which effectively convert certain fixed rate debt to variable rates:

Associated Debt	Swap Rate (LIBOR+)	Effective Rate at March 31, 1995	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%	10.01%	July 15	July 1998

In accordance with the terms of the interest rate swap agreements, the effective interest rate on \$200 million of the 10 7/8% Notes was adjusted on April 15, 1995, to 11.26%.

During first quarter 1995, Promus entered into six additional interest rate swap agreements to effectively convert a total of \$300 million in variable rate debt to a fixed rate. 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

Subsequent to March 31, 1995, Promus entered into an additional interest rate swap agreement to convert \$50 million in variable rate debt to a fixed rate. Under the swap agreement, which matures May 2000, Promus pays an effective fixed rate of 7.401% and receives a variable rate which is currently 6.125%.

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

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 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% at March 31, 1995) to the bank. The negative value of the swap, which is marked to market by Promus, was approximately \$0.4 million at March 31, 1995. Adjustments to the swap's market value are included in interest expense in the consolidated statements of income. 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

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

Other

- - - - -

During second quarter 1995, Promus announced its intention to redeem the approximately \$18.1 million principal amount outstanding of the 11% Subordinated Debentures due 1999 of Embassy. The cost of this redemption is not material.

In connection with the PHC Spin-off, on April 25, 1995, Promus commenced soliciting consents of the holders of \$400 million of public debt issued by its principal subsidiary, Embassy. On May 11, 1995, Promus announced that it was extending the consent solicitations to May 18, 1995, and it was modifying the terms of the consent solicitations to increase the amount offered to be paid to each consenting holder from \$2.50 per \$1,000 principal amount to \$12.50 per \$1,000 principal amount.

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 has been 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 remains 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.

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS

In recent years, the casino entertainment industry in the United States has experienced significant expansion in both existing markets and new jurisdictions. Though expansion is continuing within the industry, the pace of casino gaming approval within new jurisdictions in the United States has subsided and, as a result, future increases or decreases in gaming demand and legalization are difficult to predict. Three large properties opened in late 1993 in the Las Vegas market, and development has begun on several new projects and major expansions of existing properties in and around Las Vegas. Revenues in the Laughlin market continue to be impacted by the recently completed additions to competitive supply in and around Las Vegas and from Indian casinos in the region. In Reno, work continues on the development of a major new project which is expected to add substantial additional casino space and hotel rooms to that market during third quarter 1995.

In addition, certain new 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 April 24, 1995, had resulted in the approval of 131 compacts for the development of casinos on Native American lands in 23 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 \$657.6 million at March 31, 1995. Promus' principal asset is the stock of Embassy, a wholly-owned subsidiary. Embassy holds, directly and through subsidiaries, the principal assets of Promus' businesses. Given this ownership structure, these restrictions should not impair Promus' ability to conduct its business through its subsidiaries or to pursue its development plans.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Bass Public Limited Company, Bass International Holdings N.V., Bass (U.S.A.) Incorporated, Holiday Corporation and Holiday Inns, Inc. (collectively "Bass") v. The Promus Companies Incorporated ("Promus"). A complaint was filed in the United States District Court for the Southern District of New York against Promus on February 6, 1992, under Civil Action No. 92 Civ. 0969 (SWK). On March 17, 1995, the Company and Bass signed a settlement agreement (the "Settlement") that settled all claims and counterclaims in this litigation (including the resolution of certain tax issues). The Settlement was approved by the court on March 22, 1995. As a result of the Settlement, \$53.4 million was 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 Corporation and its subsidiaries for all pre-1990 Spin-off tax periods. Bass was obligated under the terms of a tax sharing agreement to pay Promus the amount of any tax benefits realized by Holiday Corporation as a result of adjustments to pre-1990 Spin-off tax periods of Holiday Corporation 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, the tax sharing agreement has been terminated. Pursuant to the Settlement Agreement, and as a result of a payment by Promus thereunder, Bass has assumed exclusive liability for substantially all of the unagreed issues for the IRS examination of the 1987 through February 7, 1990 period. The remaining unagreed tax issues (which were not assumed by Bass pursuant to the Settlement Agreement) are expected to result in a refund to Promus of previously paid taxes or are expected to have no material adverse effect on Promus's consolidated financial position or its results of operations.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- *EX-3 Bylaws of The Promus Companies Incorporated, as amended April 5, 1995.
- *EX-11 Computation of per share earnings.
- *EX-27 Financial Data Schedule.

(b) No reports on Form 8-K were filed during the quarter ended March 31, 1995.

*Filed herewith.

Signature

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

THE PROMUS COMPANIES INCORPORATED

May 15, 1995

BY: MICHAEL N. REGAN

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

Exhibit Index

Exhibit No. No. -----	Description -----	Sequential Page -----
*EX-3	Bylaws of The Promus Companies Incorporated, as amended April 5, 1995.	38
*EX-11	Computation of per share earnings.	49
*EX-27	Financial Data Schedule.	50

*Filed herewith.

BYLAWS
OF
THE PROMUS COMPANIES INCORPORATED
(Amended April 5, 1995)

ARTICLE I
OFFICES

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

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

ARTICLE II
MEETINGS OF STOCKHOLDERS

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

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

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

To be properly brought before the annual meeting, business must be either (i) specified in the notice of annual meeting (or any supplement or amendment thereto) given by or at the direction of the Board of Directors,

(ii) otherwise brought before the annual meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the annual meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting, provided, however, that in the event that less than seventy (70) days notice or prior public disclosure of the date of the annual meeting is given or made to stockholders, notice by a stockholder, to be timely, must be received no later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs. A stockholder's notice to the Secretary shall set forth (a) as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, and (ii) any material interest of the

stockholder in such business, and (b) as to the stockholder giving the notice (i) the name and record address of the stockholder and (ii) the class, series and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Article II, Section 2. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the annual meeting that business was not properly brought before the annual meeting in accordance with the provisions of this Article II, Section 2, and if such officer should so determine, such officer shall so declare to the annual meeting and any such business not properly brought before the meeting shall not be transacted.

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

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

SECTION 4. Quorum. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the holders of a majority of the votes entitled to be cast by the stockholders entitled to vote thereat, present in person or represented by proxy may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented by proxy. At such

adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

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

SECTION 6. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

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

ARTICLE III

DIRECTORS

SECTION 1. Nomination of Directors. Nominations of persons for election to the Board of Directors of the Corporation at the annual meeting may be made at such meeting by or at the direction of the Board of Directors, by any committee or persons appointed by the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of directors

at the meeting who complies with the notice procedures set forth in this Article III, Section 1. Such nominations by any stockholder shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting; provided, however, that in the event that less than seventy (70) days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder, to be timely, must be received no later than the close of business on the tenth (10th) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person, and (d) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended; and (ii) as to the stockholder giving the notice (a) the name and record address of the stockholder and (b) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. The directors shall be elected at the annual meeting of the stockholders, except as provided in the Certificate of Incorporation, and each director elected shall hold office until his successor is elected and qualified; provided, however, that unless otherwise restricted by the Certificate of Incorporation or by law, any director or the entire Board of Directors may be removed, either with or without cause, from the Board of Directors at any meeting of stockholders by a majority of the stock represented and entitled to vote thereat.

SECTION 2. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board or the President or a majority of the entire Board of Directors. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone or telegram on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

SECTION 3. Quorum. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these Bylaws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

SECTION 4. Actions of Board of Directors. Unless otherwise provided by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

SECTION 5. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these Bylaws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 5 of Article III shall constitute presence in person at such meeting.

SECTION 6. Committees. The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

SECTION 7. Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

SECTION 8. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the shareholder entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the shareholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IV

OFFICERS

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

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

SECTION 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President and any such officer may, in the name and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

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

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

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

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

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

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

SECTION 10. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the

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

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

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

ARTICLE V

STOCK

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

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

SECTION 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or

destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

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

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

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

ARTICLE VI

NOTICES

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

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

ARTICLE VII

GENERAL PROVISIONS

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

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

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

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

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

THE PROMUS COMPANIES INCORPORATED
COMPUTATION OF PER SHARE EARNINGS

	First Quarter Ended	
	March 31, 1995	March 31, 1994
Income from continuing operations	\$ 28,696,000	\$ 22,085,000
Discontinued operations		
Earnings from discontinued hotel operations, net	9,604,000	6,131,000
Spin-off transaction expenses, net	(15,198,000)	-
Cumulative effect of change in accounting policy, net	-	(7,932,000)
	-----	-----
Net income	\$ 23,102,000	\$ 20,284,000
	=====	=====
Primary earnings per share		
Weighted average number of common shares outstanding	102,138,377	101,503,574
Common stock equivalents		
Additional shares based on average market price for period applicable to:		
Restricted stock	199,635	459,462
Stock options	676,176	944,198
	-----	-----
Average number of primary common and common equivalent shares outstanding	103,014,188	102,907,234
	=====	=====
Primary earnings per common and common equivalent share		
Income from continuing operations	\$ 0.28	\$ 0.21
Discontinued operations		
Discontinued hotel operations, net	0.09	0.07
Spin-off transaction expenses, net	(0.15)	-
Change in accounting policy, net	-	(0.08)
	-----	-----
Net income	\$ 0.22	\$ 0.20
	=====	=====
Fully diluted earnings per share		
Average number of primary common and common equivalent shares outstanding	103,014,188	102,907,234
Additional shares based on period-end price applicable to:		
Restricted stock	-	11,618
Stock options	67,557	-
	-----	-----
Average number of fully diluted common and common equivalent shares outstanding	103,081,745	102,918,852
	=====	=====
Fully diluted earnings per common and common equivalent share		
Income from continuing operations	\$ 0.28	\$ 0.21
Discontinued operations		
Earnings from discontinued hotel operations, net	0.09	0.07
Spin-off transaction expenses, net	(0.15)	-
Change in accounting policy, net	-	(0.08)
	-----	-----
Net income	\$ 0.22	\$ 0.20
	=====	=====

This schedule contains summary financial information extracted from the Consolidated Condensed Balance Sheets and the Consolidated Condensed Statements of Income and is qualified in its entirety by reference to such financial statements.

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	DEC-31-1995	
	MAR-31-1995	
		71,200
		0
		51,349
		10,417
		11,194
		165,748
		1,621,398
		489,919
		1,743,092
	229,676	
		758,150
		10,252
	0	
		0
		642,961
1,743,092		
		0
	356,481	
		0
		277,101
		5,382
		1,577
		22,064
		52,390
		20,357
	28,696	
		5,594
		0
		0
		23,102
		0.22
		0.22