

SECURITIES AND EXCHANGE COMMISSION

FORM S-1/A

General form of registration statement for all companies including face-amount certificate companies [amend]

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FILER

**ALADDIN GAMING ENTERPRISES INC**

CIK: **1059128** | IRS No.: **880379607** | State of Incorp.: **NV** | Fiscal Year End: **1231**  
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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 2 TO  
FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ALADDIN GAMING ENTERPRISES, INC.

(Exact name of Registrant as specified in its charter)

<TABLE>			
<S>	NEVADA	<C>	<C>
	(State or other jurisdiction	6719	88-0379695
	of	(Primary Standard Industrial	(I.R.S. Employer
	incorporation or organization)	Classification Code Number)	Identification
</TABLE>			Number)

831 PILOT ROAD  
LAS VEGAS, NEVADA 89119  
(702) 736-7114

(Address, including zip code, and telephone number,  
including area code, of Registrant's principal executive offices)

RICHARD J. GOEGLEIN  
ALADDIN GAMING ENTERPRISES, INC.  
831 PILOT ROAD  
LAS VEGAS, NEVADA 89119  
(702) 736-7114

(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

Copies to:

WALLACE L. SCHWARTZ, ESQ.  
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP  
919 THIRD AVENUE  
NEW YORK, NEW YORK 10022  
(212) 735-3000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. /X/

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this form is a post-effective amendment filed pursuant to rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to rule 434, please check the following box. / /

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION DATED JULY 22, 1998

PROSPECTUS

[LOGO]

2,215,000 WARRANTS TO PURCHASE SHARES OF CLASS B COMMON STOCK OF  
ALADDIN GAMING ENTERPRISES, INC.  
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This Prospectus relates to the 2,215,000 warrants (the "Warrants") of Aladdin Gaming Enterprises, Inc., a Nevada corporation (the "Issuer") to purchase Class B non-voting common stock, no par value, (the "Common Stock") of the Issuer. The Warrants are exercisable at any time on or after the Separation Date (as defined herein) at an exercise price of \$0.001 per Warrant Share (as defined herein), subject to adjustment, and, unless exercised, will expire on March 1, 2010. The Warrants were originally issued and sold on February 26, 1998 (the "Issue Date") to the Initial Purchasers (as defined herein) pursuant to an offering (the "Offering") by Aladdin Gaming Holdings, LLC, a Nevada limited-liability company ("Holdings"), Aladdin Capital Corp., a Nevada corporation ("Capital" and together with Holdings, the "Note Issuers") and the Issuer, (the Issuer, together with the Note Issuers, the "Aladdin Parties") of 221,500 Units (the "Units") each consisting of \$1,000 principal amount at maturity of 13 1/2 Senior Discount Notes (the "Notes") due 2010 of the Note Issuers and 10 Warrants, and were simultaneously sold by the Initial Purchasers in transactions exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act") in the United States to persons reasonably believed to be qualified institutional buyers as defined in Rule 144A under the Securities Act.

The number of shares of Common Stock purchasable upon the exercise of the Warrants and the Exercise Price (as defined herein) will be subject to adjustment on the occurrence of certain events (subject to certain exceptions) including (i) the payment by the Issuer of dividends (and other distributions) in shares of any class of the Issuer's capital stock ("Issuer Stock"), (ii) subdivisions, combinations and reclassifications of Issuer Stock, (iii) issuances to all holders of Issuer Stock of rights, options, or warrants entitling them to subscribe for Issuer Stock or of securities convertible into or exchangeable for Issuer Stock for a consideration per share of Issuer Stock which is less than the current market price per share of Issuer Stock and (iv) the distribution to all holders of Issuer Stock of any of the Issuer's assets, debt securities or any rights or warrants to purchase such securities (excluding those rights and warrants referred to in clause (iii) above and excluding cash dividends less than a specified amount).

The net proceeds from the Offering together with the proceeds from the other Funding Transactions (as defined herein), including the new \$410.0 million Bank Credit Facility (as defined herein) entered into by Aladdin Gaming, LLC (the "Company"), a Nevada limited-liability company and a wholly-owned subsidiary of Holdings and \$80.0 million available under the FF&E Financing (as defined herein), will be used to finance the development, construction and opening of a hotel and casino, the Aladdin Hotel and Casino in Las Vegas, Nevada (the

"Aladdin"). Pursuant to the Disbursement Agreement (as defined herein), all of the proceeds from the Offering must be expended before any of the proceeds of the Bank Credit Facility may be disbursed. The security interests in the Company's assets relate to substantially all of the Company's assets and such assets are therefore subject to liens, pledges and other encumbrances for the benefit of third parties.

The Company is in the development stage and has no assets or operations other than its interests in the Aladdin, and activities in connection with the Aladdin's development. Therefore, the Company will have no significant revenues until the Aladdin becomes operational. It is expected that the Aladdin will become operational in the first four months of the year 2000. Upon completion of the Aladdin, the Company will be highly leveraged with substantial fixed debt service obligations in addition to operating expenses, and is expected to have \$430.0 million of outstanding indebtedness on a consolidated basis, including \$410.0 million outstanding under the Bank Credit Facility and an aggregate of \$20.0 million outstanding under the loan portion of the FF&E Financing. The FF&E Financing will also consist of \$60.0 million of operating leases. Upon the opening of the Aladdin, the Company is also expected to have an aggregate of \$10.0 million available under a working capital facility. The indebtedness of Holdings and the Company, including the Notes, collectively, is expected to represent 95% of their total capitalization as of the opening of the Aladdin.

The Issuer's sole material asset is its interest in the Holdings Group (as defined herein), which has substantial leverage and so could experience difficulties servicing its indebtedness.

Following the Registration Statement (as defined herein) being declared effective by the Securities and Exchange Commission (the "Commission") the Warrants and Warrant Shares may be offered and sold from time to time by holders thereof or by their transferees, pledgees, donees, or successors (collectively the "Selling Holders") pursuant to this Prospectus. The Warrants and the Warrant Shares may be sold by the Selling Holders from time to time directly to purchasers or through agents, underwriters or dealers. See "Plan of Distribution". If required, the names of any such agents or underwriters involved in the sale of the Warrants and the Warrant Shares and the applicable agent's commission, dealer's purchase price or underwriters' discount, if any, will be set forth in an accompanying supplement to this Prospectus. The Selling Holders will receive all of the net proceeds from the sale of the Warrants and the Warrant Shares and will pay all underwriting discounts, selling commissions and transfer taxes, if any, applicable to any such sales. In accordance with the terms of the Warrant Registration Rights Agreement (as defined herein) the Issuer will pay other expenses incident to any such registration of the Warrants and the Warrant Shares. The Selling Holders and any broker dealers, agents or underwriters that participate in the distribution of the Warrants and the Warrant Shares may be deemed to be "underwriters" within the meaning of the Securities Act. See "Plan of Distribution" for a description of indemnification arrangements.

SEE "RISK FACTORS" BEGINNING ON PAGE 15 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE WARRANTS OR WARRANT SHARES.

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THE WARRANTS AND THE WARRANT SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NEITHER THE NEVADA GAMING COMMISSION NOR THE NEVADA STATE GAMING CONTROL BOARD HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS OR THE INVESTMENT MERITS OF THE SECURITIES OFFERED HEREBY. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.  
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The date of this Prospectus is July , 1998.

#### AVAILABLE INFORMATION

The Issuer has filed with the Commission a Registration Statement on Form S-1, including exhibits thereto, (collectively, the "Registration Statement") under the Securities Act, with respect to the Warrants and the Warrant Shares to which this Prospectus relates. This Prospectus does not contain all the information set forth in the Registration Statement to which reference is hereby made. Any statements made in this Prospectus concerning the provisions of certain documents are not necessarily complete and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement.

The Registration Statement may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and will be available for inspection and copying at the regional offices of the Commission located at 7 World Trade Center, New York, New York 10048 and at Citicorp Center, 500 West Madison Street (Suite 1400), Chicago, Illinois 60661. Copies of such material may also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The Issuer is not currently subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Upon the Commission declaring the Registration Statement effective, the Issuer will become subject to such requirements, and in accordance therewith will file periodic reports and other information with the Commission. The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants, such as the Issuer, that file electronically with the Commission and the address of such site is <http://www.sec.gov>.

No person has been authorized to give any information or to make any representation concerning the Warrants or the Warrant Shares other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by the Issuer.

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DISCLOSURE REGARDING FORWARD  
LOOKING STATEMENTS

This Prospectus contains certain statements that are "forward looking statements." Those statements include, among other things, the discussions of the business strategies of the Aladdin Parties and the Company (as defined herein) and expectations concerning future operations, margins, profitability and liquidity and capital resources. Forward looking statements are included in "Prospectus Summary," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Prospectus. Although the Issuer believes that the expectations reflected in such forward looking statements are reasonable, the Issuer does not give any assurance that such expectations will prove to be correct. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of such plans or strategies of the Aladdin Parties and the Company or financial projections involving anticipated revenues, expenses, earnings, levels of capital expenditures or other aspects of operating results. All phases of the operations of the Aladdin Parties and the Company are subject to a number of uncertainties, risks and other influences, many of which are outside the control of the Aladdin Parties and the Company and any one of which, or a combination of which, could materially affect the results of operations of the Aladdin Parties and the Company and whether the forward looking statements made herein ultimately prove to be accurate. Important factors that could cause actual results to differ materially from the Issuer's expectations are disclosed in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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CERTAIN DEFINITIONS

REFERENCES IN THIS PROSPECTUS TO (I) "HOLDINGS" REFER TO ALADDIN GAMING HOLDINGS, LLC, A NEVADA LIMITED-LIABILITY COMPANY; (II) "CAPITAL" REFER TO ALADDIN CAPITAL CORP., A NEVADA CORPORATION WHOLLY-OWNED BY

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HOLDINGS; (III) "ISSUER" REFER TO ALADDIN GAMING ENTERPRISES, INC., A NEVADA CORPORATION, THE SOLE ASSET OF WHICH IS A 25% MEMBERSHIP INTEREST IN HOLDINGS; (IV) "NOTE ISSUERS" REFER TO HOLDINGS AND CAPITAL, COLLECTIVELY; (V) "ALADDIN PARTIES" REFER TO HOLDINGS, THE ISSUER AND CAPITAL, COLLECTIVELY; (VI) THE "COMPANY" REFER TO ALADDIN GAMING, LLC, A NEVADA LIMITED-LIABILITY COMPANY WHICH PLANS TO DEVELOP, CONSTRUCT AND OPERATE THE ALADDIN; (VII) "HOLDINGS GROUP" REFER TO EACH OF HOLDINGS AND ITS SUBSIDIARIES; (VIII) "LONDON CLUBS" REFER TO LONDON CLUBS INTERNATIONAL, PLC, A UNITED KINGDOM PUBLIC LIMITED COMPANY AND (IX) "LCNI" REFER TO LONDON CLUBS NEVADA INC., AN INDIRECT WHOLLY OWNED SUBSIDIARY OF LONDON CLUBS. ALADDIN HOLDINGS, LLC ("AHL"), WHICH IS 95% OWNED BY THE TRUST UNDER ARTICLE SIXTH U/W/O SIGMUND SOMMER (THE "TRUST"), DIRECTLY OWNS 98.7% OF THE MEMBERSHIP INTERESTS OF SOMMER ENTERPRISES, LLC ("SOMMER ENTERPRISES"), A NEVADA LIMITED-LIABILITY COMPANY, AND INDIRECTLY OWNS APPROXIMATELY 71% OF THE MEMBERSHIP INTERESTS OF HOLDINGS PRIOR TO THE EXERCISE OF THE WARRANTS.

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PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY, AND SHOULD BE READ IN CONJUNCTION WITH, THE MORE DETAILED INFORMATION (INCLUDING FINANCIAL INFORMATION) APPEARING ELSEWHERE IN THIS PROSPECTUS.

## THE ISSUER

The Issuer is an indirect subsidiary of AHL and was incorporated for the sole purpose of issuing the Warrants and Warrant Shares. The sole material asset of the Issuer is 25% of the Holdings Common Membership Interests (as defined herein). Holdings is a holding company, the material assets of which are 100% of the outstanding Common Membership Interests and 100% of the outstanding Series A preferred interests of the Company (the "Series A Preferred Interests"). The Warrants entitle the holders thereof to purchase an aggregate of 2,215,000 shares of Common Stock of the Issuer, representing a 40% economic interest in the Issuer, at an exercise price of \$0.001 per Warrant Share, subject to adjustment, and representing an indirect interest of 10% of the outstanding Holdings Common Membership Interests on a fully-diluted basis as of the Issue Date, after giving effect to such issuance. The Warrants are exercisable at any time on or after the Separation Date and, unless exercised, will expire on March 1, 2010.

## THE COMPANY

The Company plans to develop, construct and operate a new hotel and casino, the Aladdin, as the centerpiece of an approximately 35 acre world-class resort, casino and entertainment complex (the "Complex") located on the site of the original Aladdin hotel and casino in Las Vegas, Nevada, a premier location at the center of Las Vegas Boulevard (the "Strip"). The Aladdin has been designed to include a luxury themed hotel of approximately 2,600 rooms (the "Hotel"), an approximately 116,000 square foot casino (the "Casino"), an approximately 1,400-seat production showroom and seven restaurants. The Casino's main gaming area will contain approximately 2,800 slot machines, 87 table games, keno and a race and sports book facility. Included on a separate level of the Casino will be a 15,000 square foot luxurious gaming section (the "Salle Privee") which is expected to contain an additional 20 to 30 high limit table games and approximately 100 high limit slot machines. The Salle Privee will cater to wealthy clientele and be operated and marketed in conjunction with London Clubs, a prestigious, multi-national casino operator which caters to international premium players. The Complex, which has been designed to promote Casino traffic and to provide customers with a wide variety of entertainment alternatives, will comprise (i) the Aladdin; (ii) a themed entertainment shopping mall with approximately 522,000 square feet of retail space (the "Desert Passage"); (iii) a second hotel and casino, with a music and entertainment theme, expected to be known as "Sound Republic Hotel and Casino" (the "Music Project"); (iv) a newly renovated 7,000-seat Theater of the Performing Arts (the "Theater"); and (v) an approximately 4,800-space car parking facility (the "Carpark" and, together with the Desert Passage, the "Mall Project"). The Mall Project and the Music Project will be separately owned by affiliates of the Company. The Company's business and marketing strategies are expected to capitalize on the Complex's premier location, its superior designed, mixed-use, themed development, and strong strategic partnering with highly successful public companies. The grand opening date for the Aladdin and the Mall Project is currently anticipated to occur during the first four months of the year 2000, with the opening of the Music Project expected to occur within six months after the opening of the Aladdin.

The Company's management team is led by Chief Executive Officer Richard J. Goeglein, the former President and Chief Executive Officer of Harrah's Hotels and Casinos and President and Chief Operating Officer of Holiday Corp., who during his term at Harrah's oversaw the expansion of the Harrah's brand, including the development of Harrah's Hotel and Casino in Atlantic City. Assisting Mr. Goeglein as Senior Vice President of the Company and President/Chief Operating Officer of the Aladdin Hotel and Casino is James H. McKennon, who as President and Chief Operating Officer of Caesars Tahoe was instrumental in its financial turnaround and as President of Caesars World International Marketing Corp. was responsible for the global marketing of the Caesars brand.

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It is expected that approximately \$75 million will be spent on theming in the Aladdin and the Desert Passage, of which approximately \$35 million will be spent by the Company on the Aladdin. This theming will create an environment in the Aladdin that will be based upon the Legends of the 1001 Arabian Nights, including the intriguing tales of Aladdin, Ali Baba and the 40 Thieves, Sinbad and other legendary stories woven around ancient wealth and wonders. The Aladdin's exterior will be designed to include a highly articulated streetscape, a themed Casino exterior shaped like a Bedouin tent, fountains, walkways, sculptures and an outdoor restaurant. The sophisticated interior of the Aladdin will utilize rich colors, textures and design, enhancing the fantasy of a mystical romantic time and place. A significant feature of the Desert Passage will be the themed area to be known as the "Lost City." The "Lost City" is expected to contain a re-creation of an ancient mystical mountain city and will house a variety of specialty shops and restaurants underneath a 10-story high ceiling. The Company believes that the Aladdin, with its unique theme, together with the Desert Passage, will ensure its place as a "must-see" destination in

one of the world's largest entertainment cities.

The Company believes that upon completion, the Aladdin, the Mall Project and the Music Project together will constitute one of the largest and best-planned integrated, mixed-use entertainment resorts in the world. Aladdin Bazaar Holdings, LLC ("Bazaar Holdings"), a subsidiary of the Trust, and TH Bazaar Centers Inc. ("THB"), a subsidiary of TrizecHahn Centers Inc. ("TrizecHahn"), have entered into a joint venture agreement and formed Aladdin Bazaar, LLC ("Bazaar") to develop, construct, own and operate the Mall Project. TrizecHahn is the principal retail subsidiary of TrizecHahn Corporation, one of the largest publicly-traded real estate companies in North America. The Desert Passage is expected to include an array of high-fashion specialty stores, exotic boutiques, themed restaurants, cafes and other entertainment offerings. The Desert Passage will be directly connected to the Casino to maximize Casino traffic.

Aladdin Music Holdings, LLC ("AMH"), a wholly owned subsidiary of the Company, and a subsidiary of Planet Hollywood International, Inc. ("Planet Hollywood") have entered into a memorandum of understanding (the "Music Project Memorandum of Understanding") and formed Aladdin Music, LLC ("Aladdin Music"), which will own and develop the Music Project. The Music Project Memorandum of Understanding is subject to the finalization of financing commitments. Planet Hollywood is a creator and worldwide developer of themed restaurants and consumer brands, most notably "Planet Hollywood" and the "Official All Star Cafe." Planet Hollywood has announced that it intends to position a brand of music-themed entertainment venues as its third major brand. The Music Project, which will be managed by the Company, is expected to include an approximately 1,000 room hotel, a 50,000 square foot casino, four restaurants, including a music-themed restaurant which will feature its own 1,000-person nightclub, a health spa and an outdoor swimming pool. As part of the development of the Complex, the Company expects to indirectly contribute to Aladdin Music \$21.3 million in cash and land having an appraised fair market value of \$15.0 million in exchange for a preferred membership interest in Aladdin Music and to lease to Aladdin Music the existing 7,000-seat Theater for a nominal amount. It is anticipated that Aladdin Music will carry out an approximately \$8 million renovation of the Theater, improving its decor, light and sound systems and other facilities. A further distinguishing feature of the Music Project is the anticipated active involvement of famous artists and celebrities, some of whom are expected to be stockholders of Planet Hollywood (or its affiliates), participate in the marketing of Planet Hollywood's music-themed brand and perform at the Theater or make other personal appearances at the Music Project. The Music Project, with its music and entertainment theme, will complement the Aladdin and it is expected that together the two hotels will offer an excitement and variety of entertainment alternatives that will further distinguish the Complex from other venues on the Strip.

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additional amounts (expected to be up to approximately \$23 million) with respect to the completion of shared structural space and the cost of surface parking. See "Risk Factors--Completion of the Mall Project and the Music Project."

#### STRENGTHS

The Company believes that several important advantages will contribute significantly to the success of the Aladdin:

**PREMIER LOCATION.** The Aladdin's 800 feet of Strip frontage is located on the section of the Strip between Flamingo Road at the north and Tropicana Boulevard at the south. Based upon independent research and assuming completion of the Bellagio, Paris and Venetian development projects, the average vehicular traffic that will pass the Complex each day is expected to be up to approximately 54,000.

Another major feature of the Complex will be its easy access from Las Vegas' McCarran International Airport ("McCarran Airport"), only 2.5 miles away. According to the Las Vegas Convention and Visitors Authority (the "LVCVA"), the

number of visitors to Las Vegas has increased at a steady and significant rate for the last 15 years, growing from approximately 10 million in 1980 to approximately 19 million in 1990 to over 30 million in 1997, with approximately 47% of these visitors in 1997 arriving by air through McCarran Airport. McCarran Airport, the tenth busiest airport in the United States, is currently in the process of expanding its capacity through the addition of 26 new gates, and it is expected that following completion thereof, the number and percentage of visitors arriving in Las Vegas by air will further increase, making easy access from McCarran Airport to Las Vegas' resorts even more crucial.

**MASTER-PLANNED, MIXED-USE DEVELOPMENT.** The Aladdin has been carefully and strategically designed to promote Casino traffic. Each element of the Complex has been sited and planned in a manner that maximizes pedestrian and vehicular traffic so as to facilitate access to and from the Complex, as well as circulation between the different parts of the Complex, with the Casino being the nexus for the vast majority of pedestrian traffic. Significant portions of the Desert Passage and all of the Theater's entrances and exits will be accessed through, or be adjacent to, the Casino. The Casino will be located in front of the Hotel, and unlike many of the newer projects on the Strip, will provide easy access for pedestrians without requiring long walks into the Complex. Pedestrian visitors to the Aladdin entering from the Aladdin's 800 feet of Strip frontage will be able to enter the Hotel directly through the Casino or through the Desert Passage entrances. Through the use of a circular internal roadway, guests arriving by limousine, car service, taxi or private vehicle will be able to enter the Complex directly and easily from the Strip and Harmon Avenue. Furthermore, by the use of bridges and access ways, pedestrians will not be required to cross roadways while moving between different attractions on the Complex, thus facilitating ease of movement between the various parts of the Complex and the Strip.

**UNIQUE ENTERTAINMENT FACILITIES.** The Aladdin is expected to benefit from the Casino traffic generated from the broad variety of entertainment facilities located throughout the Complex. The Aladdin will be adjacent to the existing Theater, which is expected to continue to be used to hold major concerts and theatrical performances and is one of the few venues of its size and type in Nevada. The Theater's approximately \$8 million renovation is expected to transform it into a first-class venue and provide an additional source of visitor traffic to the Complex.

The Aladdin will include a 1,400-seat showroom featuring a 1001 Arabian Nights-themed production show on its mezzanine level, with elegant, exotic costuming, music, lighting and choreography. In addition, the Desert Passage will be designed to engage the customer in a themed shopping, entertainment and dining experience. Of the approximately 522,000 square feet of retail space within the Desert Passage, it is anticipated that approximately 25% will be devoted to high pedestrian traffic generating food, beverage and entertainment experiences. Furthermore, the Music Project is expected to contain a 1,000-person nightclub featuring regular live performances.

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#### PRESTIGIOUS STRATEGIC PARTNERS.

The Company and the Complex will benefit from important relationships with several prominent public companies, as follows:

- **LONDON CLUBS INVESTMENT.** London Clubs, a prestigious multi-national casino operator, indirectly owns 25% of the outstanding common membership interests of Holdings ("Holdings Common Membership Interests"). London Clubs had an equity market capitalization of over \$461 million on May 29, 1998. London Clubs has extensive experience in the international marketing of casinos to premium players and maintains a strong presence in the United Kingdom (where it controls the largest share of the London casino market), Europe, Asia and the Middle East. In addition to its 25% ownership of the outstanding Holdings Common Membership Interests, London Clubs, through LCNI, will direct the operations of, and act as marketing consultant to, the Salle Privee. The Company believes that the Salle Privee will be the first of its kind in the United States managed by a European operator and based on the European concept of full service gaming areas for premium players. The Salle Privee's primary business and marketing focus will be to access London Clubs' worldwide base of upscale casino clientele.
- **JOINT VENTURE WITH PLANET HOLLYWOOD.** Through a subsidiary, Planet Hollywood has agreed to be a 50% partner (on a fully diluted basis) in the Music Project. Planet Hollywood is a creator and worldwide developer of consumer brands, most notably "Planet Hollywood" and the "Official All Star Cafe," that capitalize on the universal appeal of the high energy environment of movies, sports and other entertainment-based themes. The Company believes that the exposure generated by the Music Project will enhance the Aladdin by providing immediate excitement and press coverage for the Complex.

- STRATEGIC RELATIONSHIP WITH TRIZECHAHN. The Mall Project will be owned, developed and operated by Bazaar, a joint venture between Bazaar Holdings and THB, a subsidiary of TrizecHahn. TrizecHahn is a wholly-owned subsidiary of TrizecHahn Corporation, one of the largest publicly traded real estate companies in North America. TrizecHahn was the developer of Horton Plaza in San Diego, Bridgewater Commons in New Jersey, Valley Fair in San Jose and Park Meadows in Denver. Investors should note that TrizecHahn has announced that it is considering selling its operating portfolio of regional shopping centers and on April 6, 1998 announced the sale of 20 regional shopping centers for over \$2.5 billion. See "Risk Factors--Completion of the Mall Project and the Music Project." While TrizecHahn's announcement is limited to the sale of its current operating portfolio of regional shopping centers, there can be no assurance that TrizecHahn will not similarly decide to sell its interest in the Desert Passage. Accordingly, investors cannot be assured that TrizecHahn will own and operate the Desert Passage once it becomes operational, and as a result, pedestrian traffic to the Aladdin may decrease.

#### STRATEGY

The Company's business and marketing strategies are expected to capitalize on the Complex's premier location, its superior designed, mixed-use themed development and strong strategic partnering with highly successful public companies.

CREATE A "MUST-SEE" DESTINATION. The Company believes that the Aladdin, with its unique design, together with the Desert Passage and the Music Project will ensure its place as a "must-see" destination in one of the fastest growing entertainment cities in the world. The Aladdin theme will be supported by a sophisticated interior design enhancing the fantasy of a mystical and romantic time and place. The Aladdin's main Casino traffic will be driven not only by Hotel guests, but also by the customers directly attracted from the Strip. Visitor traffic to the Aladdin will also be enhanced by the Desert Passage and the adjoining Music Project.

TARGETED MARKET POSITIONING. The Company intends to focus on three different market segments to attract customers to the Aladdin:

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- UPSCALE CLIENTELE. The Hotel will be designed to appeal to an upscale clientele, providing the amenities and level of service such high-end guests expect. Each of the Hotel's approximately 2,600 guest rooms will have an area of not less than 450 square feet--exceeding that of the average Las Vegas hotel room of approximately 360 to 400 square feet--and 24% of the Hotel's guest rooms will have an area exceeding 620 square feet. The Hotel's room inventory for the upscale market is expected to include 624 "king parlors" and suites, ranging from 585 to 1,162 square feet. The Hotel will provide extensive recreational facilities and amenities for its guests, including a 20,000 square foot health spa with steam, sauna and massage services and an outdoor swimming-pool complex surrounded by gardens and fountains. The Company intends to promote the Aladdin's many features to the upscale market through a variety of media, including high-end print publications, travel agents and events sponsorships. A targeted-relationship marketing program is expected to ensure clientele retention and repeat visitation.
- INTERNATIONAL PREMIUM PLAYER CLIENTELE. The focus of the Salle Privee's business will be the wealthy clientele that form the core of London Clubs' business in London and elsewhere. The Hotel will include 30 suites primarily for use by Salle Privee clientele, including 25 "Salle Privee suites" (ranging from 815 to 930 square feet) and five "mega-suites" (ranging from 2,125 to 3,500 square feet). The Company will maintain the Salle Privee's premium player atmosphere through more sophisticated dining options, higher table limits and more formal levels of service and dress.
- UPPER-MIDDLE MARKET CLIENTELE. The Hotel's variety of guest rooms, six of its seven restaurants and the 1,400-seat production showroom, combined with the heavily themed Casino, Theater and Desert Passage, are expected to appeal broadly to the upper-middle market guest. Additionally, cooperative advertising and promotion through various media, such as television, radio and print, will be used to promote the Complex to the upper-middle market. Furthermore, the Music Project is expected to attract younger, affluent customers to the Complex through, among other things, its music and entertainment-based theme.

LEVERAGE FROM STRATEGIC RELATIONSHIPS. The Company and its affiliates have chosen as strategic partners an experienced team of retail, casino and themed entertainment developers and operators. The Company intends to utilize the unique expertise of its partners from the preliminary development stages of the Complex through its promotion and operation.

- DEVELOPMENT EXPERTISE. In establishing a strategic relationship with TrizecHahn, the Company has obtained the knowledge, skills and capital of a partner who has expertise in the coordination, construction and completion in a timely manner of large, high quality projects.
- MANAGEMENT AND OPERATING ABILITIES. The Complex is expected to benefit from the experience of TrizecHahn, London Clubs and Planet Hollywood in its operations. Through its management and ownership of shopping centers, TrizecHahn has demonstrated its ability to successfully design, configure and attract high quality tenants to its retail shopping projects. London Clubs has extensive experience in the international marketing and operation of casinos, in particular to premium players. In addition, Planet Hollywood has successfully grown its concepts to 87 company-owned and franchised Planet Hollywood and Official All Star Cafe units (as of December 31, 1997) since commencing business in 1991.
- CAPITALIZING ON BRAND NAMES. With access to some of the most well-known names in their respective markets, the Company expects to capitalize on the worldwide brand recognition of Planet Hollywood, London Clubs and TrizecHahn, creating unique opportunities for the Complex.
- ACCESSING NEW CLIENT BASE. London Clubs and Planet Hollywood are expected to provide the Complex with access to market segments which the Company believes have not been extensively penetrated by other hotel/casinos in Las Vegas. London Clubs provides the Aladdin with a substantial network of international premium players and superb promotional opportunities. Furthermore, it is expected that

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Planet Hollywood will introduce a younger, affluent clientele to the Complex through, among other things, celebrity involvement in the Music Project.

CAREFULLY MANAGE CONSTRUCTION COSTS AND RISKS. The Company anticipates the total cost of developing, financing, constructing and opening the Aladdin to be approximately \$790 million (excluding the Company's \$21.3 million planned indirect cash contribution and \$15.0 million appraised fair market value land contribution to Aladdin Music as part of the development funds for the Music Project). As part of the Company's strategy of carefully managing construction costs and risks, the Company has hired Tishman Construction Corporation of Nevada ("Tishman"), to be the construction manager. Tishman is a subsidiary of Tishman Realty & Construction Co. Inc., a privately held company with extensive experience in building quality hotels and casinos. As construction manager, Tishman will advise with respect to scheduling, administration and reporting in connection with the construction activities of the Design/ Builder (as defined herein). In addition, the following arrangements have been made to ensure the full and timely completion of the Aladdin.

- BANK COMPLETION GUARANTY AND NOTEHOLDER COMPLETION GUARANTY. London Clubs, the Trust and Bazaar Holdings have entered into a completion guaranty (the "Bank Completion Guaranty") for the benefit of the lenders under the Bank Credit Facility (the "Bank Lenders"), under which they have agreed to guarantee, among other things, the completion of the Aladdin. The Bank Completion Guaranty, is not subject to any maximum dollar limitations. London Clubs, the Trust and Bazaar Holdings have also entered into a limited completion guaranty for the benefit of the holders of the Notes (the "Noteholder Completion Guaranty"), under which they have guaranteed completion of the Aladdin, subject to certain important exceptions, limitations and qualifications. None of Holdings, the Issuer nor the holders of Warrants or Warrant Shares is a party to the Bank Completion Guaranty or the Noteholder Completion Guaranty. No financial information regarding the Trust is available for the purpose of evaluating the Trust's creditworthiness and, accordingly, purchasers of Warrants or Warrant Shares should not rely upon the Trust's performance under the Bank Completion Guaranty of Noteholder Completion Guaranty when making their investment decision. See "Risk Factors--Lack of Available Information on the Trust's Ability to Perform Its Obligations Under Certain Agreements," "--Limitations Under Bank Completion Guaranty and Noteholder Completion Guaranty," "Description of Noteholder Completion Guaranty and Disbursement Agreement--Noteholder Completion Guaranty" and "Description of Certain Indebtedness and Other Obligations--Completion Guaranty."
- DESIGN/BUILD CONTRACT. Fluor Daniel, Inc. (the "Design/Builder") is the design/builder for the Aladdin. The Design/Builder has entered into a guaranteed maximum price design/build contract (subject to increases based on scope changes) with the Company to design and construct the Aladdin (the "Design/Build Contract"). The Design/Build Contract provides the Design/Builder with incentives for completing the Aladdin ahead of schedule and within budget and for payment of liquidated damages to the Company for certain delays. The Design/Build Contract is guaranteed by Fluor Corporation

("Fluor"), the parent of the Design/Builder, pursuant to the Fluor Guaranty (as defined herein). See "Certain Material Agreements--Design/Build Contract."

- MALL FINANCING AND MALL GUARANTY. Bazaar has entered into a building loan agreement with Fleet National Bank ("Fleet," and together with any other lenders in a financing syndicate to be formed, the "Mall Lenders"), and Fleet as administrative agent for a credit facility to fund the construction of the Mall Project (the "Mall Financing"). Furthermore, TrizecHahn, TrizecHahn Office Properties, Inc. ("THOP"), an affiliate of TrizecHahn, the Trust, Bazaar Holdings and AHL have agreed to guarantee completion of the Mall Project and Bazaar's indebtedness to the Mall Lenders until certain earnings and loan to value targets have been met (collectively, the "Mall Guaranty"). Investors should note that TrizecHahn has announced that it is considering selling its operating portfolio of regional shopping centers and on April 6, 1998, announced the sale of 20 regional shopping centers for over \$2.5 billion. While TrizecHahn's announcement is limited to the sale of its current operating portfolio of regional shopping centers, there can be no assurance that TrizecHahn will not similarly decide to

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sell its interest in the Desert Passage. Accordingly, investors cannot be assured that TrizecHahn will own and operate the Desert Passage once it becomes operational, and as a result, pedestrian traffic to the Aladdin may decrease. See "Risk Factors--Completion of the Mall Project and the Music Project."

#### MANAGEMENT AND DEVELOPMENT TEAM

The Complex is being developed by a team with broad expertise in each of the elements of the Complex and which, collectively, have a proven track record in constructing, completing and operating significant hotel casino projects.

MANAGEMENT TEAM. The management team of the Company, which will develop and operate the Aladdin and the Music Project, comprises a unique combination of executives with an average of more than 20 years' experience in the management of hotels, casinos, restaurants and large real estate projects. The team includes:

- Jack Sommer, Chairman of the Company, who has been a full-time resident of Las Vegas since 1988 and has more than 25 years of experience as a developer of real estate including luxury projects such as North Shore Towers, in Queens County, New York, The Sovereign at 425 East 58th Street in Manhattan and 280 Park Avenue, an 820,000 square foot office building in Manhattan formerly owned and currently partially occupied by the Bankers Trust Company.
- Richard J. Goeglein, Chief Executive Officer, President and a director of the Company who has spent over 28 years in the hotel/casino and food service industries. Mr. Goeglein has served as President and Chief Executive Officer of Harrah's Hotels and Casinos and as President and Chief Operating Officer of Holiday Corp. (the parent company of Holiday Inns, Harrah's, Hampton Inns and Embassy Suites). Mr. Goeglein oversaw the acquisition of Harrah's and the development of some of Harrah's most successful projects, including Harrah's Hotel and Casino in Atlantic City, and its expansion into Southern Nevada.
- James H. McKennon, Senior Vice President of the Company and President/Chief Operating Officer of the Aladdin Hotel and Casino, whose career spans over 21 years in the hotel and casino industry in a variety of executive positions, including as President and Chief Operating Officer of Caesars World International Marketing Corp. Mr. McKennon was also President and Chief Operating Officer of Caesars Tahoe for 4 years and was instrumental in its financial turnaround.
- Cornelius T. Klerk, Senior Vice President/Chief Financial Officer of the Company, has over 19 years experience in the hotel and casino industry both at the corporate and property level, including as Vice President/Finance of the Hilton Hotels Gaming Division from 1993 to 1997. Mr. Klerk also served in a variety of senior financial management positions during the development and operation of Harrah's Hotel and Casino in Atlantic City and Harrah's Trump Plaza (now Trump Plaza) in Atlantic City.

DEVELOPMENT TEAM. The Company and its affiliates have been involved in the design of the Complex for over 24 months and have assembled a development team with proven experience in the development of high quality resort projects. The team includes:

- Tishman, the construction manager for the Aladdin. Tishman or its affiliates have developed or built over 30,000 hotel rooms nationwide, including the Golden Nugget and the Trump Castle Hotel and Casino in Atlantic City, the 400-room expansion of Harrah's Hotel and Casino in Atlantic City, the 2,300

room Walt Disney World Dolphin and Swan Hotel and Convention Complex and the 1,200 room Sheraton Chicago Hotel.

- The Design/Builder, a subsidiary of Fluor. The Design/Builder is recognized internationally as an industry leader in providing architectural, engineering and construction services, including resort projects such as the Guest Inn Timika in Indonesia, the Pan Pacific Hotel in Malaysia and the Hyatt Regency Greenville Hotel.

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- ADP/FD of Nevada, Inc. ("ADP"), the Complex architect and an indirect subsidiary of Fluor. ADP is wholly owned by ADP Marshall, Inc. ("ADP Marshall"), which is well-known for its architecture work and mixed-use projects. Its architecture client list includes Princess Hotels, Inc. (Scottsdale and Acapulco) and Carefree Resorts (The Boulders, The Peaks, Carmel Valley Ranch).
- THB, a wholly-owned subsidiary of TrizecHahn and the joint venture partner of ABH in the Mall Project. Prior to its recently announced sale of 20 regional shopping centers, TrizecHahn owned and managed 27 regional shopping centers in major markets throughout the United States, comprising over 25 million square feet.
- Brennan Beer Gorman Monk/Interiors ("BBGM"), the interior designer for the Aladdin. BBGM specializes in hospitality design and has experience in casinos, restaurants, retail, spa/fitness centers and specialty theme projects, including the recently renovated and expanded Caesars Atlantic City hotel, Mohegan Sun Casino and TropWorld. BBGM's hotel projects have included the St. Regis, the Plaza and the Sheraton Hotel & Towers in New York City.

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#### USE OF PROCEEDS

No proceeds will be received by the Issuer from the registration or sale of the Warrants or the Warrant Shares pursuant to the Registration Statement. The gross proceeds from the sale of the Units were \$115.0 million. The net proceeds (net of discounts for Initial Purchasers (as defined herein) and estimated Offering expenses) together with the proceeds from the other Funding Transactions are being used to develop, construct, equip and open the Aladdin and to fund the Company's cash contribution to Aladdin Music with respect to the Music Project.

Upon or prior to consummation of the Offering, (i) the proceeds from the sale of the Units were allocated between the Notes and the Warrants, (ii) Sommer Enterprises (a) contributed a portion of the Contributed Land (as defined herein) and \$7.0 million consisting of the benefit of certain predevelopment costs incurred by AHL to the Issuer in exchange for Class A Common Stock in the Issuer and (b) contributed a portion of the Contributed Land to Holdings in exchange for Holdings Common Membership Interests, (iii) the Issuer contributed the portion of the Contributed Land, the benefit of the predevelopment costs received from Sommer Enterprises and the net proceeds allocable from the sale of the Warrants to Holdings in exchange for Holdings Common Membership Interests, (iv) Holdings contributed the Contributed Land appraised at \$150.0 million, approximately \$42 million in cash from the London Clubs Contribution (as defined herein) and the \$7.0 million consisting of the benefit of certain predevelopment costs incurred by AHL to the Company in exchange for Common Membership Interests of the Company, and (v) Holdings contributed \$115.0 million in cash, consisting of the net proceeds of the sale of the Units and approximately \$8 million from the London Clubs Contribution, to the Company in exchange for Series A Preferred Interests of the Company ((iv) and (v) collectively, the "Equity and Series A Preferred Interest Financing"). The London Clubs Contribution, together with a portion of the net proceeds of the Offering, were expended on the Issue Date (as defined herein) to repay certain existing indebtedness assumed by the Company in connection with the Sommer Equity Financing (as defined herein) and to pay certain accrued expenses and certain fees and expenses incurred in connection with the Funding Transactions. The remaining net proceeds from the Offering (approximately \$35 million) were deposited in a segregated escrow account ("the Note Construction Disbursement Account") which was pledged as collateral for the benefit of the holders of the Notes, pending disbursement of such funds pursuant to the Disbursement Agreement (as defined herein). The liquidation preference of the Series A Preferred Interests held by Holdings will at all times equal the Accreted Value (as defined herein) of the Notes.

Prior to or contemporaneously with the Offering, the following other arrangements (together with the Offering, the "Funding Transactions") for the financing by the Company of the Aladdin were consummated: (i) the Sommer Equity

Financing and the indirect equity contribution to Holdings by London Clubs of \$50.0 million in cash (the "London Clubs Contribution") in exchange for Holdings Common Membership Interests; (ii) the closing of the \$410.0 million Bank Credit Facility between the Company and the funding of the Term B Loan (as defined herein) and the Term C Loan (as defined herein) thereunder into the Cash Collateral Account (as defined herein) and (iii) execution and delivery of a commitment letter by the Company for one or more leases or loans in the aggregate amount of \$80.0 million, covering the Specified Equipment and the Gaming Equipment (each as defined herein), to be used in the Aladdin (the "FF&E Financing"). See "Controlling Stockholders--Equity and Series A Preferred Interest Financing," "Description of Certain Indebtedness and Other Obligations--Bank Credit Facility" and "--FF&E Financing."

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds raised for the development, construction, equipping and opening of the Aladdin are as follows (in millions):

<TABLE>  
<CAPTION>

SOURCES		USES	
<S>	<C>	<C>	<C>
Bank Credit Facility(1).....	\$ 410.0	Hotel and Casino(7).....	\$ 295.6
FF&E Financing(2).....	80.0	Off-Site Improvements(8).....	6.8
Senior Discount Notes due 2010(3).....	115.0	Reimbursable Site Work Expenses(6).....	14.2
Land Contribution(4).....	150.0	Furniture, Fixtures and Equipment and	
Cash Contribution(5).....	57.0	Gaming Equipment(9).....	107.5
Anticipated Site Work		Land(10).....	135.0
Reimbursement(6).....	14.2	Retire Existing Debt(11).....	74.5
		Capitalized Interest, Net(12).....	44.0
		Pre-Opening Costs and Expenses.....	16.9
		Reimbursement of Pre-development Costs(13)....	3.9
		Working Capital(14).....	15.0
		Construction and FF&E Contingency(15).....	31.8
		Land Investment in Music Project(16).....	15.0
		Cash Equity Investment in Music Project(17)...	21.3
		Financing Fees and Expenses(18).....	44.7
Total Sources.....	\$ 826.2	Total Uses.....	\$ 826.2

</TABLE>

(1) The Company entered into the Bank Credit Facility with the Bank Lenders. The Bank Credit Facility, which closed concurrently with the closing of the Offering, consists of: (a) a term loan of \$136.0 million ("Term A Loan") which matures seven years after the initial borrowing date; (b) a term loan of \$114.0 million ("Term B Loan") which matures eight and one-half years after the initial borrowing date; and (c) a term loan of \$160.0 million ("Term C Loan", and collectively with the Term A Loan and the Term B Loan, the "Loans") which matures ten years after the initial borrowing date. The Term B Loan and Term C Loan were funded into the Cash Collateral Account on the Issue Date, and in June, 1998, the Company began to use a portion of such funds in the construction of the Aladdin. The use of the remaining proceeds of the Term B Loan and Term C Loan in the construction of the Aladdin is subject to satisfaction of the conditions in the Disbursement Agreement. It is anticipated that the Company will begin to draw down the Term A Loan, subject to satisfaction of the conditions in the Disbursement Agreement, in December 1999 (being approximately 21 months after the Issue Date). See "Risk Factors--Conditions to Draw Down of Funds Under Funding Transactions." All of the Loans will convert from construction loans into amortizing loans on the Conversion Date (as defined herein), with substantial amounts due during the final six quarters of the Term B Loan and the Term C Loan. The Company has the option to pay interest at either LIBOR or the alternate base rate ("ABR") published by The Bank of Nova Scotia ("Scotiabank"), in each case plus certain margins. See "Description of Certain Indebtedness and Other Obligations--Bank Credit Facility."

(2) The Company has entered into an agreement with the FF&E Lender (as defined herein) for provision of the FF&E Financing. The FF&E Financing consists of \$60.0 million of operating leases and \$20.0 million in loans and will be used by the Company to obtain the Gaming Equipment and Specified Equipment. See "Description of Certain Indebtedness and Other Obligations--FF&E Financing."

- (3) Represents the gross proceeds of the Offering, which, net of expenses of approximately \$8 million, were contributed, together with approximately \$8 million in cash received pursuant to the London Clubs Contribution, by Holdings to the Company in exchange for Series A Preferred Interests.
- (4) The land on which the Aladdin, the Music Project and the Plant (as defined herein) will be built, including adjacent land of approximately 0.8 acres, comprises a total of approximately 22.75 acres (the "Contributed Land") and was contributed to the Company by Holdings in exchange for Common Membership Interests. The Contributed Land has an appraised fair market value of \$150.0 million (book value of \$33.6 million as of December 31, 1997). Approximately 18 acres of the Contributed Land, having an appraised fair market value of \$135.0 million, have been retained by the Company

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and approximately 4.75 acres of the Contributed Land, having an appraised fair market value of \$15.0 million, will be contributed to Aladdin Music for the Music Project.

- (5) Represents (i) a \$50.0 million cash contribution by London Clubs in exchange for 25% of the Holdings Common Membership Interests and (ii) a \$7.0 million deemed equity contribution by the Issuer in exchange for Holdings Common Membership Interests, consisting of certain pre-development costs incurred by AHL in 1996, 1997 and 1998.
- (6) Pursuant to the Site Work Agreement, the Company has agreed to complete the construction of, among other things, certain shared structural space (the "Mall Shared Space"), construction of which will commence prior to the initial funding of the Mall Financing. Bazaar has agreed to reimburse the Company for up to \$14.2 million (including interest) of the costs associated with such construction upon the completion of the Mall Shared Space. See "Certain Material Agreements--Construction, Operation and Reciprocal Easement Agreement and Related Agreements."
- (7) Represents (i) the guaranteed maximum price of construction of the Aladdin pursuant to the Design/ Build Contract of \$267.0 million, less the contingency allowance of \$6.8 million and expected reimbursement from Bazaar of \$13.6 million (net of approximately \$0.6 million of interest) as set forth in note (6) above; (ii) approximately \$35 million for theming the Aladdin; (iii) \$11.7 million for professional fees and disbursements; and (iv) \$2.3 million for permits and taxes. See "Risk Factors-- Completion of the Mall Project and the Music Project." The Design/Build Contract contains financial incentives for the Design/Builder to complete the Aladdin within the construction budget and in a timely manner, as well as liquidated damages payable to the Company for certain unexcused delays. See "Risk Factors--Risks of New Construction," "--Risks Under Design/Build Contract and Fluor Guaranty" and "Certain Material Agreements--Design/Build Contract."
- (8) Represents the cost of off-site improvements, including overhead pedestrian walkways and widening of certain streets, for those parts of the Project Site (as defined herein) on which the Aladdin will be built.
- (9) Includes \$26.5 million of gaming equipment and \$81.0 million of furniture, fixtures and other equipment (including the Specified Equipment consisting of new furniture and equipment other than gaming equipment).
- (10) Represents the appraised fair market value of the land on which the Aladdin and the Plant will be built, together with adjacent land of approximately 0.8 acres.
- (11) Represents the retirement on the Issue Date of \$68.7 million of existing indebtedness on the Contributed Land (with an interest rate of LIBOR plus 650 bps) and \$5.8 million of existing debt owed by the Trust to GW Vegas LLC ("GW Vegas"), assumed by the Company as part of Holdings' equity contribution to the Company.
- (12) Represents capitalized gross interest under the Bank Credit Facility of \$57.4 million and capitalized gross interest of \$2.4 million from leasing expenses in connection with the FF&E Financing, from the date of the Offering until the estimated completion of the Aladdin in the first four months of the year 2000, net of interest income anticipated to be earned upon the investment in cash equivalents of the funds (assumed to be at 5% per annum) from the proceeds of the Offering and the proceeds of the Term B Loan and Term C Loan.
- (13) Represents \$3.0 million of certain predevelopment costs incurred by AHL and reimbursed on the Issue Date and up to \$0.9 million of certain predevelopment costs expected to be incurred and reimbursed over the expected construction period.
- (14) Represents cash on hand, inventories, deposits and other cash balances

required for the opening of the Aladdin.

- (15) Comprises (i) the \$6.8 million contingency included in the guaranteed maximum price set forth in the Design/Build Contract and (ii) the \$25.0 million general project contingency (collectively, the "Contingency").
- (16) Represents the appraised fair market value of the approximately 4.75 acres of land on which the Music Project will be built, which land will be contributed by the Company to AMH in exchange for common membership interests in AMH.
- (17) Represents cash to be contributed by the Company to AMH in exchange for common membership interests in AMH.
- (18) Represents fees in connection with the organization of the Company and the financing of the Aladdin, including approximately \$8 million in expenses incurred in connection with the Offering.

THE WARRANTS AND WARRANT SHARES

The Warrants were originally issued by the Issuer in the Offering, pursuant to which 221,500 Units were issued and sold. Each Unit consists of \$1,000 principal amount of Notes and 10 Warrants. The Notes and the Warrants will be separately transferable, in accordance with the Indenture (as defined herein), upon the filing of the Registration Statement at the option of the holders thereof. The Registration Statement applies solely to the Warrants and the Warrant Shares. The registration of the Warrants and the Warrant Shares is intended to satisfy certain obligations of the Issuer under a registration rights agreement with respect to the Warrants (the "Warrant Registration Rights Agreement") among the Issuer and Merrill Lynch, Pierce, Fenner and Smith Incorporated, Credit Suisse First Boston Corporation, CIBC Oppenheimer Corp. and Scotia Capital Markets (USA) Inc. (the "Initial Purchasers"), dated the Issue Date. There will be no proceeds to the Issuer from the registration or subsequent sale of the Warrants or Warrant Shares.

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Issuer.....	Aladdin Gaming Enterprises, Inc.
Number of Warrants.....	The Warrants entitle the holders thereof to acquire an aggregate of 2,215,000 shares of Common Stock of the Issuer (40% of the economic interest in the Issuer) representing an indirect interest in 10% of the outstanding Holdings Common Membership Interests on a fully-diluted basis after giving effect to such issuance.
Exercisability; Expiration...	The Warrants are exercisable at any time on or after the Separation Date (as defined herein) and prior to March 1, 2010.
Exercise Price.....	Each Warrant entitles the holder thereof to purchase one share of Common Stock of the Issuer at an exercise price of \$0.001 per share, subject to adjustment.
Anti-Dilution Provisions.....	The Warrants have customary anti-dilution provisions. Such anti-dilution provisions are also reflected in the documents pertaining to the Holdings Common Membership Interests.
Warrant Shares.....	The Warrants entitle the holders thereof to acquire non-voting Common Stock of the Issuer. Shares of Common Stock of the Issuer or any successor entity and any other securities or property issuable or deliverable upon exercise of the Warrants are collectively referred to herein as the "Warrant Shares." The Issuer is a corporation, the sole material asset of which is 25% of the outstanding Holdings Common Membership Interests. The Warrants represent an effective 10% interest in the outstanding Holdings Common Membership Interests, on a fully-diluted basis after giving effect to such issuance, and the Trust (through Sommer Enterprises) owns interests which represent an effective 58.5% interest in the outstanding Holdings Common Membership Interests on a fully-diluted basis, (44.5% held by a direct ownership and 14.0% held by an indirect equity ownership through the Issuer).
Equity Participation Agreement.....	The Issuer, the Warrant Agent for and on behalf of the holders of the Warrants and Warrant Shares, the Trust, London Clubs and Holdings have entered into the Equity Participation Agreement (as defined herein) which provides (among other things) (a) for the grant of certain "tag-along" rights to the holders of Warrant Shares in respect of sales by Sommer Enterprises or LCNI, directly or indirectly, of Holdings Common Membership Interests; (b) for rights of holders of the Warrant Shares to participate in an initial public offering on the same terms and conditions as LCNI and Sommer Enterprises and (c) that the Warrant holders will have the right to convert their Warrant Shares into

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	or consolidations, disposition of all or substantially all of the Issuer's assets, transfers of the Issuer's Holdings Common Membership Interests, certain recapitalizations of the Issuer, voluntary dissolution or liquidation of the Issuer, repurchases of the Issuer's stock which is not pro-rata among the stockholders, and certain issuances of the Issuer's stock. See "Certain Material Agreements--Equity Participation Agreement."
Tag Along.....	The Equity Participation Agreement provides, among other things, that upon certain sales by Sommer Enterprises or LCNI of Holdings Common Membership Interests, the holders of Warrant Shares will be permitted to sell a pro rata share of their Warrant Shares on the same terms and conditions as the sale by Sommer Enterprises, LCNI or Holdings, as the case may be.
Holdings Common Membership Interests.....	The Holdings Operating Agreement (as defined herein) contains provisions mirroring the "tag-along" rights set forth in the Equity Participation Agreement and the anti-dilution provisions set forth in the Warrant Agreement. Holders of Warrant Shares do not have any voting rights through the Issuer's ownership of Holdings Common Membership Interests. Upon a default under the Keep-Well Agreement (as defined herein) a resulting decrease or increase in the percentage interest in Holdings indirectly held by the Trust or London Clubs will not affect the percentage of Holdings Common Membership Interests held by the Issuer.
Qualified Public Offering....	A Qualified Public Offering is a public offering of common stock registered under the Securities Act and resulting in proceeds of at least \$50.0 million. The Issuer, Holdings or another entity which controls the Company (each, an "IPO Entity") may effect a public offering of common stock registered under the Securities Act so long as prior to such public offering, London Clubs, the Trust, or the beneficiaries of the Trust (whether current or contingent) as of the date hereof which control AHL or Sommer Enterprises, and holders of the Warrants and Warrant Shares each hold, directly or indirectly, their respective equity interests in the IPO Entity. London Clubs, the Trust, or the beneficiaries of the Trust (whether current or contingent) as of the date hereof which control AHL or Sommer Enterprises, and the IPO Entity will use their reasonable best efforts to effect such public offering such that holders of the Warrants and Warrant Shares will not recognize income gain or loss for federal income tax purposes (other than as a result of a sale of their Warrant Shares in such public offering) and holders of the Warrants and the Warrant Shares will be subject to federal income tax in the same manner and at the same times as would have been the case if the Warrants were originally issued by the IPO Entity.

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For additional information regarding the Warrants and Warrant Shares see "Description of the Warrants," "Description of Capital Stock" and "Certain United States Federal Income Tax Considerations."

RISK FACTORS

PROSPECTIVE INVESTORS ARE STRONGLY CAUTIONED THAT AN INVESTMENT IN THE WARRANTS AND THE WARRANT SHARES INVOLVES A HIGH DEGREE OF RISK. THE ABILITY OF THE ALADDIN PARTIES TO CAUSE THE COMPLETION OF AND TO SUCCESSFULLY OPERATE THE ALADDIN IS SUBJECT TO AN UNUSUAL NUMBER OF MATERIAL RISKS AND UNCERTAINTIES. THE CONTINGENCIES AND OTHER RISKS DISCUSSED BELOW COULD AFFECT THE ALADDIN PARTIES IN WAYS NOT PRESENTLY ANTICIPATED AND THEREBY MATERIALLY AFFECT THE VALUE OF THE SECURITIES OFFERED HEREBY. A CAREFUL REVIEW AND UNDERSTANDING OF EACH OF THE RISK FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS, IS ESSENTIAL FOR AN INVESTOR SEEKING TO MAKE AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE WARRANTS AND THE WARRANT SHARES.

SUBSTANTIAL LEVERAGE

The Issuer's sole material asset is its interest in the Holdings Group, which has substantial leverage and so could experience difficulties servicing its indebtedness.

The Issuer does not have any material assets other than its ownership of 25% of the Holdings Common Membership Interests. Holdings does not and may not in the future have any material assets other than its ownership of 100% of the Common Membership Interests in the Company and its ownership of 100% of the Series A Preferred Interests in the Company, and does not and may not in the future have any material operations or revenues (other than income derived from its interest in the Company). Accordingly, the ability of the Holdings Group to pay principal, interest, premium, if any, or any other payment obligations on its indebtedness will be completely dependent on the operations of the Company. The Holdings Group is, and upon completion of the Aladdin will be, highly leveraged with substantial fixed debt service obligations in addition to operating expenses, and is expected upon completion of the Aladdin to have approximately \$583 million of outstanding indebtedness, including \$410.0 million outstanding under the Bank Credit Facility, approximately \$153 million outstanding under the Notes (representing the approximate Accreted Value (as defined in the Indenture) thereof on April 30, 2000) and an aggregate of \$20.0 million outstanding under the loan portion of the FF&E Financing. Such indebtedness is expected to represent 95% of the total capitalization of the Holdings Group as of the opening of the Aladdin and require annual debt service payments ranging from \$58.9 million to \$91.6 million, depending on the year. Of such aggregate indebtedness, approximately \$430 million will be indebtedness of the Company and not Holdings. The FF&E Financing also consists of \$60 million of operating leases. The Company is required to pay \$13.6 million in minimum lease payments annually under the lease portion of the FF&E Financing. Upon the opening of the Aladdin, the Company is expected to have an aggregate of \$10 million available under a working capital facility. In addition, the Indenture allows the Company to incur additional indebtedness under certain circumstances. See "Description of Certain Indebtedness and Other Obligations--Senior Discount Notes." The degree to which the Holdings Group is leveraged could have important consequences to the holders of the Warrants and Warrant Shares, including, but not limited to, the following: (i) increasing the Holdings Group's vulnerability to adverse general economic and industry conditions; (ii) affecting the proportion of the Holdings Group's operating cash flow required to pay principal, interest and other amounts on indebtedness, thereby reducing the funds available for operations and dividends or distributions to equity holders; and (iii) impairing the Holdings Group's ability to obtain additional financing for future working capital expenditures, acquisitions or other general corporate purposes.

#### INABILITY TO REPAY DEBT

The Holdings Group will be entirely dependent on the operations of the Aladdin in order to repay its debt.

Pending the opening of the Aladdin, which is expected to occur in the first four months of the year 2000, it is currently anticipated that the Company will have no operations other than activities in connection with the development of the Aladdin. The ability of the Holdings Group to pay principal, interest and other amounts payable under its various debt facilities will be dependent upon the successful

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completion of the Aladdin and the Company's future operating performance which is dependent upon a number of factors, many of which are outside the Holdings Group's control, including the successful completion of the Mall Project, prevailing economic conditions and financial, business, regulatory and other factors affecting the Company's operations. If the Company is unable to complete the Aladdin within its construction budget or, once operating, is unable to generate sufficient cash flow, it could be required to adopt one or more alternatives, such as obtaining additional financing to the extent permitted by the Indenture and the Bank Credit Facility, reducing or delaying planned construction or capital expenditures, restructuring debt or obtaining additional equity capital. There can be no assurance that any of these alternatives could be effected on satisfactory terms, and the inability to acquire additional financing could materially and adversely affect the Holdings Group and the Issuer and so the value of the Warrants and the Warrant Shares.

Additionally, there can be no assurance that the Aladdin will be able to attract a sufficient number of patrons to achieve the level of activity necessary to permit the Holdings Group to meet its payment obligations in connection with the Funding Transactions and any other indebtedness or obligations of the Holdings Group. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Description of Certain Indebtedness and Other Obligations."

#### CONDITIONS TO DRAW DOWN OF FUNDS UNDER FUNDING TRANSACTIONS

There are significant conditions to the draw down of funds under the terms of the various Funding Transactions. The aggregate amount of financing subject to conditions was \$496 million as of May 29, 1998, comprising \$410 million under the Bank Credit Facility, \$6 million from the proceeds of the Offering and \$80 million under the FF&E Financing. Failure by the Company to meet any of these conditions could have a material adverse effect on its ability to complete the Aladdin.

Financing for the construction and development of the Aladdin and of the other components of the Complex has been provided by multiple parties, including, with respect to the Aladdin, the holders of the Notes, the Bank Lenders and the FF&E Lender, and with respect to the Mall Project, the Mall Lenders.

Concurrent with the closing of the Offering, the Company and Holdings entered into the Disbursement Agreement with the Trustee (for the benefit of the holders of the Notes) and Scotiabank, as Administrative Agent under the Bank Credit Facility, Disbursement Agent on behalf of the Bank Lenders and the holders of the Notes, and as securities intermediary (the "Securities Intermediary") and U.S. Bank National Association as servicing agent (the "Servicing Agent"). Pursuant to the Disbursement Agreement, the proceeds from the Offering of the Notes that were not expended on the Issue Date (being approximately \$35 million) were deposited in the Note Construction Disbursement Account, which was pledged to the Disbursement Agent for the benefit of the holders of the Notes. Disbursements from the Note Construction Disbursement Account are subject to the conditions established in the Disbursement Agreement.

On the Issue Date, the proceeds of the Term B Loan and Term C Loan were deposited in the Cash Collateral Account, which was pledged to the Disbursement Agent for the benefit of the Bank Lenders. Disbursements from the Cash Collateral Account and advances of the Term A Loan are also subject to conditions established in the Disbursement Agreement. The significant conditions on the Bank Lenders' obligations to fund or provide advances, include, among other things, (i) that all of the proceeds of the Offering have been disbursed, (ii) the absence of any material adverse change in the financial condition, business, property or prospects and the ability of the Company and the Project Parties (as defined herein) to perform in all material respects their respective obligations under the Operative Documents (as defined herein) to which they are a party, (iii) the absence of any default or an event of default with respect to material Operative Documents which would be reasonably likely to cause a material adverse effect on the financial condition, business, property or prospects of the Company or to the Company's knowledge, of the Project Parties and their ability to perform in all material respects their respective obligations under the Operative Documents to which they are a party, (iv) there being no failure on the part of the Company to

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keep the Bank Credit Facility In Balance (as defined herein), and (v) compliance by the Guarantors (as defined herein) under the Bank Completion Guaranty and London Clubs and AHL, as Sponsors (as defined herein), under the Keep-Well Agreement. See "Description of the Noteholder Completion Guaranty and Disbursement Agreement--Disbursement Agreement."

The Company does not expect to draw down any funds under the Bank Credit Facility until June 1998 (approximately four months after the Issue Date). If the Company fails to satisfy the conditions to the draw down of funds under the Bank Credit Facility, alternative sources of funding will need to be obtained and/ or the Trust, Bazaar Holdings and London Clubs will be required to make cash contributions to the Company pursuant to the Bank Completion Guaranty in order for the Company to complete the Aladdin. The failure of the Company to satisfy the conditions to the drawdown of funds under the Bank Credit Facility could have a material and adverse effect on the Company's ability to complete the Aladdin and so the value of the Warrants and Warrant Shares.

General Electric Capital Corporation (the "FF&E Lender") and the Company have entered into an agreement to provide the \$80.0 million of aggregate financing required to acquire the Specified Equipment and Gaming Equipment. The availability of the FF&E Financing is subject to certain conditions. If the Company is unable to finalize the FF&E Financing for any reason, the financial position and results of operations of the Company, and so the Aladdin Parties and holders of Warrants or Warrant Shares, could be materially and adversely affected.

There can be no assurance that each lender will perform its obligations or observe the limitations on the exercise of remedies as set forth under such agreements. Failure of any one or more of the lenders to perform under the Disbursement Agreement could materially and adversely affect the Company, the Aladdin Parties and holders of Warrants or Warrant Shares. In addition, financing by multiple lenders with security interests that are interrelated by

use or location of the underlying collateral may result in increased complexity in a debt restructuring or other workout of the Company.

#### LIMITATION ON ACCESS TO CASH FLOW OF SUBSIDIARIES; HOLDING COMPANY STRUCTURE

The Bank Credit Facility and the Indenture impose substantial restrictions on the ability of the Company and Holdings, respectively, to make distributions to their equity holders. Accordingly, holders of Warrant Shares are limited in their ability to receive dividends and other distributions from Enterprises.

The Issuer does not have any material assets other than its ownership of 25% of the Holdings Common Membership Interests. Holdings is a holding company, and its ability to make distributions to the Issuer is dependent upon the receipt of distributions from its direct and indirect subsidiaries. Holdings does not have and may not in the future have any material assets other than its ownership of 100% of the Common Membership Interests and 100% of the Series A Preferred Interests of the Company.

The Company is a party to the Bank Credit Facility which imposes substantial restrictions, including the satisfaction of certain financial conditions, on the Company's ability to make distributions to Holdings. Holdings is a party to the Indenture which imposes substantial restrictions, including the satisfaction of certain financial covenants, on Holdings' ability to make distributions to the Issuer. The ability of the Company to comply with such conditions in the Bank Credit Facility and of Holdings to comply with such conditions in the Indenture may be affected by events that are beyond the control of Holdings. If the maturity of loans under the Bank Credit Facility or the Notes were to be accelerated, all indebtedness outstanding thereunder would be required to be paid in full before the Company or Holdings, as applicable, would be permitted to distribute any assets or cash to its members. In addition, certain remedies available to the Bank Lenders under the Bank Credit Facility could constitute Events of Default under the Indenture and so cause acceleration of the Notes. In such circumstances there can be no assurance that the assets of the Company would be sufficient to repay all of such outstanding debt and then to make distributions to Holdings to enable Holdings to meet its obligations under the Indenture. Future borrowings by the Company can also be expected to contain restrictions or prohibitions on distributions by the Company to Holdings and by Holdings to the Issuer.

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The Holdings Operating Agreement and the Company Operating Agreement (as defined herein) also contain restrictions on distributions on the Holdings Common Membership Interests and the Common Membership Interests, respectively. In particular, no distributions, other than distributions to cover any tax liability in respect of any Holdings Interests (as defined herein) may be made on Holdings Common Membership Interests while any Holdings Series A Preferred Interests (as defined herein) or Holdings Series B Preferred Interests (as defined herein) are outstanding. Further, distributions by the Company (other than distributions to cover tax liability) on Common Membership Interests are also limited while Series A Preferred Interests are outstanding. Such restrictions could materially and adversely affect holders of Holdings Common Membership Interests such as the Issuer, and holders of Common Stock (such as the Warrant Shares) and the Warrants. In addition, the Indenture contains limitations on Holdings' ability to make distributions to its members. As a result, the amount of distributions made to the Issuer, and therefore dividends to the holders of Warrant Shares and other stockholders, will effectively be restricted by the terms of the Indenture. Such restrictions could materially and adversely affect returns available to holders of Warrant Shares and so the value of the Warrants and Warrant Shares.

Any right of Holdings to receive assets of any of its subsidiaries upon such subsidiary's liquidation or reorganization will be effectively subordinated to the claims of that subsidiary's creditors, except to the extent, if any, that Holdings itself is recognized as a creditor of such subsidiary, in which case the claims of Holdings would still be subordinate to the claims of such creditors who hold security in the assets of such subsidiary to the extent of such assets and to the claims of such creditors who hold indebtedness of such subsidiary senior to that held by Holdings.

#### CONTROLLING STOCKHOLDERS; LACK OF VOTING POWER FOR WARRANT SHARES

The Warrant Shares will have no voting power, and accordingly decisions in relation to Enterprises will be made by its other shareholders.

AHL owns 98.7% of the common membership interests of Sommer Enterprises, a Nevada limited-liability company. Sommer Enterprises owns 100% of the issued and outstanding Class A Common Stock (as defined herein) and the Common Stock of the Issuer, prior to the exercise of the Warrants, and the Issuer holds 25% of the Holdings Common Membership Interests. The remaining Holdings Common Membership Interests are held approximately 47.0% by Sommer Enterprises, 25.0% by LCNI and 3.0% by GAI, LLC ("GAI"), a Nevada limited-liability company 100% beneficially owned by Richard J. Goeglein, the Chief Executive Officer and a director of the

Company. Accordingly, AHL, through Sommer Enterprises, indirectly owns 98.7% of the Issuer (prior to the exercise of the Warrants) and approximately 71.1% of the Holdings Common Membership Interests. London Clubs, through LCNI, owns 25% of the Holdings Common Membership Interests. Accordingly, AHL and London Clubs (the "Controlling Stockholders") control the business, policies and affairs of Holdings, and so the Company, including the election of directors and managers and major corporate transactions of the Company.

If all of the Warrants are exercised, the holders of Warrant Shares will own 50% of the issued and outstanding Common Stock, representing an indirect economic interest in 10% of the outstanding Holdings Common Membership Interests. However, the holders of the Common Stock are not entitled to vote on any matter submitted to the Issuer's shareholders, including the election of directors of the Issuer, and will receive limited minority shareholder protections. Accordingly, holders of Class A Common Stock will be able, without the approval of the holders of the Common Stock, subject to applicable law, to (i) amend the Issuer's Articles of Incorporation and Bylaws; (ii) effect mergers and certain other major corporate transactions; (iii) elect the Issuer's directors and (iv) otherwise control the outcome of virtually all matters submitted to a general shareholder vote. Accordingly, even if all of the Warrants are exercised, the Trust, through AHL and Sommer Enterprises, will nevertheless continue to retain control of the Issuer and the Controlling Stockholders will nevertheless continue to retain control of Holdings, and so the Company, and the holders of Warrant Shares will be limited in their ability to exercise any degree of

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control whatsoever over the Issuer, and so Holdings and the Company. See "Certain Material Agreements--Equity Participation Agreement."

Under the Holdings Operating Agreement, if the Trust fails to make its required 75% contribution for any amounts required to be made under the Bank Completion Guaranty, LCNI (rather than Sommer Enterprises through the Issuer) will have certain rights to control the Board of Managers of Holdings and LCNI and Sommer Enterprises will each have equal direct or indirect voting rights in deciding matters with respect to Holdings. Furthermore, if AHL fails to make its required 75% contributions for any amounts required to be made under the Keep-Well Agreement, LCNI (in addition to any rights London Clubs may have against AHL and Sommer Enterprises, which may include the ability of London Clubs to obtain ownership of Sommer Enterprises' equity interests in the Issuer) through the Issuer or otherwise will have the right to control the Board of Managers of Holdings and increase its Holdings Common Membership Interests up to a total of 72% of the Holdings Common Membership Interests, and Sommer Enterprises' Holdings Common Membership Interests will correspondingly decrease, subject to receipt of Gaming Approvals. For a description of certain relationships between the Company, AHL and LCNI, see "Controlling Stockholders" and "Certain Transactions."

#### ABSENCE OF DIVIDENDS AND DISTRIBUTIONS

The Company currently intends to retain all earnings for reinvestment. Consequently, none of the Issuer, Holdings, or the Company plans to pay any dividend or make any distributions on its common stock or membership interests.

None of the Issuer, Holdings or the Company has ever paid any dividends or distributions on its common stock or membership interests and (except for distributions to cover any tax liability in respect of Holdings Interests and distributions on the Series A Preferred Interests) none of the Issuer, Holdings or the Company has any plans to pay any dividends or distributions on its common stock or membership interests in the foreseeable future. Except as stated in the preceding sentence, the Company currently intends to retain all earnings for reinvestment in its business and repayment of indebtedness. The Bank Credit Facility, the Indenture, the Company Operating Agreement and the Holdings Operating Agreement restrict the payment of distributions by the Company and Holdings. Such restrictions could materially and adversely affect the Issuer's ability to pay dividends on, and the value of, the Warrant Shares and so the value of the Warrants. See "Dividends and Distributions", "Certain Material Agreements--Holdings Operating Agreement" and "--Company Operating Agreement" and "Description of Certain Indebtedness and other Obligations--Bank Credit Facility" and "--Senior Discount Notes."

#### RISKS OF NEW CONSTRUCTION

Most large scale construction projects involve significant risks and unforeseen contingencies. As a result, the estimated cost of the Aladdin project may exceed current projections.

Major construction projects (and particularly one of the anticipated size and scale of the Aladdin) entail significant risks, including shortages of materials or skilled labor, unforeseen engineering, environmental and/or geological problems, work stoppages, weather interference, unanticipated cost increases and unavailability of construction equipment. Construction, equipment

or staffing problems or difficulties in obtaining any of the requisite licenses, permits, allocations or authorizations from regulatory authorities could increase the total cost, delay, or prevent the construction or opening of the Aladdin or the other components of the Complex or otherwise affect their respective design and features.

The anticipated costs and opening dates for the Aladdin are based on budgets, conceptual design documents (not all of which will be finalized at the commencement of construction) and schedule estimates prepared by the Company with the assistance of the architects and contractors described herein. See "Business--Design and Construction Team." Under the terms of the Design/Build Contract, the Design/Builder is responsible for all construction costs covered by the Design/Build Contract that are in excess of the guaranteed maximum price of \$267.0 million, subject to certain qualifications. Pursuant to the

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Fluor Guaranty, Fluor has made certain guarantees regarding the Design/Builder's performance under the Design/Build Contract. However, the Design/Build Contract provides that the guaranteed maximum price will be equitably adjusted on account of (i) changes in the design documents at the request of the Company; (ii) changes requested by the Company in the scope of the work to be performed pursuant to the Design/Build Contract; and (iii) natural disasters, casualties and certain other "force majeure" events beyond the reasonable control of the Design/Builder. If any such events occur, the construction costs which must be borne by the Company may increase. As a result, the actual price paid for the construction of the Aladdin may increase. The Design/Build Contract requires that all subcontractors engaged by the Design/ Builder to perform work and/or supply materials in connection with the construction of the Aladdin post bonds, at the discretion of the Company and the Design/Builder, guaranteeing timely completion of work and payment for all labor and materials. Nevertheless, there can be no assurance that the Aladdin will commence operations on schedule, that construction costs for the Aladdin will not exceed budgeted amounts or that the Design/Builder will not challenge aspects of the guaranteed maximum price. Failure to complete the Aladdin on budget or on schedule may have a material adverse effect on the Company, and so the Aladdin Parties. The Aladdin is expected to be completed in the first four months of the year 2000.

#### COMPLETION OF THE MALL PROJECT AND THE MUSIC PROJECT

There can be no assurance that the Mall Project or the Music Project will be completed. While the Aladdin Parties believe that the Aladdin would still be viable even without such projects, the failure of such projects to be completed could have a material adverse effect on the Aladdin and so Enterprises and the holders of Warrant Shares.

A principal part of the Complex will be the Mall Project, which is comprised of the Desert Passage and the Carpark, and the Music Project (including the Theater). The Company's business plan assumes that the Desert Passage and the Music Project will attract a substantial flow of pedestrian traffic to the Casino and that the Carpark will provide essential parking facilities for both overnight and casual guests at the Aladdin. However, the Company will neither develop nor own the Desert Passage, the Carpark or the Music Project and the completion of the Aladdin is not contingent on their completion. Failure of the Mall Project or the Music Project to be developed or to become operating in a timely manner will have a material adverse effect on the Company and the Aladdin Parties. Investors should note that the funding arrangements for the completion of the Music Project have not been finalized, and there can be no assurance that such funding arrangements will be finalized at any time, or that the Mall Project or Music Project will be completed.

The Mall Project will be developed and owned by Bazaar. Bazaar is 37.5%-owned by Bazaar Holdings, which is indirectly controlled by the Trust and therefore is an affiliate of the Issuer. Bazaar Holdings and THB have entered into an operating agreement (as amended, the "Bazaar LLC Operating Agreement") under which each party has agreed to cooperate in the development and operation of the Mall Project, and Bazaar Holdings, THB and THOP have provided certain undertakings to effect the development of the Mall Project in an agreed manner and time frame. See "Certain Material Agreements--Bazaar LLC Operating Agreement."

Bazaar and the Mall Lenders have entered into a building loan agreement for the Mall Financing. Funding under the Mall Financing is subject to certain conditions. If Bazaar fails to satisfy the conditions to the draw down of funds under the Mall Financing, alternative sources of funding will need to be obtained. TrizecHahn, THOP, the Trust, Bazaar Holdings and AHL have agreed to guarantee the completion of the Mall Project and Bazaar's indebtedness to the Mall Lenders pursuant to the Mall Guaranty. Neither the Company nor any of the Aladdin Parties is a party to the Bazaar LLC Operating Agreement, the Mall Guaranty or the Mall Financing and so neither the Company nor any of the Aladdin Parties may enforce or prevent the amendment or cancellation of any of the

rights or obligations thereunder. In addition, there can be no assurance that TrizecHahn, THOP, the Trust, Bazaar Holdings and AHL will be in a position to comply with their obligations under the Mall Guaranty. If the Mall Project

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is not completed, the Company believes that it may need to incur additional costs to complete the construction of the Aladdin, depending on the Aladdin's stage of construction. If the Mall Project is abandoned after the construction of certain shared structural space has begun, the Company believes that the costs of completing the shared structural space (which would be used as retail space) and demolition and construction expenses necessary to convert the site of the Mall Project into surface parking would be approximately \$23 million (including the \$14.2 million, including interest, no longer being reimbursed by Bazaar pursuant to the Site Work Agreement).

The success of the Mall Project, which is expected to be completed in the first four months of the year 2000, will depend significantly on the skills and experience of TrizecHahn in the management of entertainment shopping malls such as the Mall Project. However, under the Bazaar LLC Operating Agreement, THB is, in certain circumstances, entitled to dispose of its interests in the Mall Project on or after the opening of the Mall Project. Accordingly, there can be no assurance that, after such date, TrizecHahn will continue to manage, or hold an equity interest in, the Mall Project. In addition, on March 5, 1998, TrizecHahn announced that it is considering the sale of its operating portfolio of regional shopping centers and on April 6, 1998 announced the sale of 20 regional shopping centers for over \$2.5 billion. TrizecHahn has indicated that its planned sales will not include TrizecHahn's portfolio of development projects, including the Desert Passage. Although TrizecHahn has indicated that it will proceed with and have sufficient financial resources to complete the Desert Passage even if a sale of its entire operating portfolio were to be consummated, no assurance can be made that TrizecHahn will be in a position to satisfy its obligations under the Bazaar LLC Operating Agreement. While TrizecHahn's announcement is limited to the sale of its current operating portfolio of regional shopping centers, there can be no assurance that TrizecHahn will not similarly decide to sell its interest in the Desert Passage. Accordingly, investors cannot be assured that TrizecHahn will own and operate the Desert Passage once it becomes operational, and as a result, pedestrian traffic to the Aladdin may decrease.

The Music Project is expected to be completed by October of the year 2000 and developed and owned by Aladdin Music. Pursuant to the London Clubs Purchase Agreement, London Clubs, through its wholly owned subsidiary LCNI, has agreed that so long as Aladdin Music obtains financing for the Music Project on terms satisfactory to LCNI and provided that certain other conditions are met, Aladdin Music may develop and own the Music Project in accordance with the terms described herein. If such conditions are not met, LCNI has the right to select the method in which it will participate in the Music Project, if at all. There can be no assurance that the conditions will be satisfied. If the conditions are not satisfied, there can be no assurance that the Music Project will proceed as described herein, or at all.

As currently anticipated, the Company and Planet Hollywood intend to operate the Music Project in a manner conducive to the joint achievement of the Company's and Aladdin Music's business objectives. While the Company has signed the Music Project Memorandum of Understanding with Planet Hollywood in connection with the development, construction and operation of the Music Project, final documentation for the Music Project has not been entered into, funding for the Music Project has not yet been finalized and certain significant matters, such as the appointment of a general contractor to construct the Music Project, remain incomplete. In addition, certain significant economic issues concerning Planet Hollywood's obligations in connection with the Music Project financing are currently being negotiated between the Company and Planet Hollywood and there can be no assurance that the Company will satisfactorily resolve such issues. If the Mall Project is not completed, it may not be feasible to develop the Music Project. If the Music Project is not completed, the Company intends to apply a portion of the funds which it has allocated for its equity contribution to Aladdin Music to the renovation of the Theater. However, without the support of Planet Hollywood through the Music Project, the Company may not be able to attract the same quality of performers to the Theater as it may otherwise have been able to attract. Further, even if the Music Project is completed, there can be no assurance that the Music Project will be operated in a manner conducive to the achievement of the Company's business objectives. In addition, the Music Project and its owners must receive all required Gaming Approvals (as defined herein) from the Nevada Gaming Authorities (as defined herein) in order to conduct gaming operations.

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The failure of Bazaar to complete the Mall Project would not be an Event of

Default under the Notes or the Indenture. An Event of Default would only occur if less than 200,000 square feet of retail space (all of which retail space is already included in the plans for the Aladdin) is built and the Note Issuers fail to meet the fixed charge coverage ratio specified in the Indenture. The Aladdin Parties believe that even if TrizecHahn and Planet Hollywood abandoned the Mall Project and the Music Project, respectively, the Issuers would, nevertheless, have sufficient cashflow to meet such coverage ratio, there would consequently be no Event of Default under the Notes and the Aladdin would continue to be viable.

There can be no assurance (i) that Bazaar or Aladdin Music will have or obtain sufficient funding to finance the development and operation of the Mall Project or the Music Project, respectively; (ii) that the Desert Passage or the Music Project will be completed; (iii) that if completed, the Desert Passage or the Music Project will attract the number and types of customers expected by the Company; or (iv) that if completed, the Music Project and its owners will obtain all required Gaming Approvals or that if obtained, they will be obtained on a timely basis. While the Aladdin Parties believe that the Aladdin would still be viable even without the Mall Project or the Music Project, the failure of Bazaar or Aladdin Music to develop and operate the Mall Project or the Music Project, respectively, in the manner currently expected could materially and adversely affect the success of the Aladdin and the financial position and results of operations of the Company, and so the Aladdin Parties.

On July 21, 1998, Planet Hollywood announced that it has retained financial advisors in connection with a review of Planet Hollywood's financial and strategic alternatives and is continuing with an operational plan to address current financial and operational performance issues. There can be no assurance that the Music Project will proceed with Planet Hollywood.

#### COMPLETION OF ENERGY PLANT

Although the obligations of the Energy Provider (as defined herein) to complete the Plant in accordance with the Development Agreement (as defined herein) are guaranteed by Unicom (as defined herein), there can be no assurance that the Energy Provider will perform its obligations under the Development Agreement (as defined herein) or that Unicom will perform its obligations under the Unicom Guaranty (as defined herein).

Energy will be provided to certain parts of the Complex by an energy plant to be developed and constructed pursuant to the Development Agreement. The Company has entered into the Development Agreement with Northwind Aladdin LLC (the "Energy Provider"), a subsidiary of UT Holdings Inc. ("UTH"). UTH is a subsidiary of Unicom Corporation ("Unicom"). Pursuant to the Development Agreement, the Energy Provider will develop and construct the Plant (as defined herein) to serve the energy requirements of certain parts of the Complex. See "Certain Material Agreements--Development Agreement." The design and construction of the Plant will be at the sole cost and expense of the Energy Provider, however, the Energy Provider shall not be responsible for costs in excess of \$40.0 million unless agreed to by the Energy Provider. The obligations of the Energy Provider to complete the Plant in accordance with the Development Agreement and in a manner capable of delivering the energy requirements of such parts of the Complex in accordance with the Energy Service Agreement (as defined herein) are guaranteed by the Energy Provider's ultimate parent, Unicom. Unicom has agreed that if for any reason the Energy Provider shall fail or be unable to punctually and fully perform or cause to be performed any of its obligations under the Development Agreement, Unicom shall perform or cause to be performed such obligations promptly upon demand. Unicom's obligations are limited to an amount equal to \$30.0 million (or, under certain circumstances, an amount less than \$30.0 million) and shall not be reduced until Substantial Completion (as defined herein) of the Plant.

There can be no assurance that the Energy Provider will perform its obligations under the Development Agreement, or that Unicom will perform its obligations under the Unicom Guaranty. Failure of the Energy Provider or Unicom to perform its obligations under the Development Agreement and Unicom

Guaranty or failure of the Energy Provider to perform its obligations under the Energy Service Agreement, could materially and adversely affect the Company, the Aladdin Parties and holders of the securities offered hereby. In addition, the Company may have to make alternative arrangements for the provision of energy for the Complex. Due to the fact that a number of other energy suppliers were willing to construct the Plant prior to the Company selecting Unicom and that the payback period for the Plant is the period following the opening of the Aladdin, the Company believes that such alternative arrangements for the

completion of the Energy Project could be made. However, there can be no assurance that such arrangements could, in fact, be made, or if made, on terms favorable to the Company.

#### RISKS OF NEW VENTURE

The Company is a development stage company with no prior history. Therefore, there can be no assurance that it will be able to manage and operate a hotel/casino on a profitable basis.

The Issuer's sole material asset is its 25% interest in the Holdings Common Membership Interests. Holdings' material assets are its interests in the Company. Accordingly, the Issuer's sole material asset is its indirect ownership of 25% of the interests in the Company. The Company is a development stage company formed to develop and operate the Aladdin. The Company has no history of operations and has never been involved in developing, constructing or operating a hotel/casino project. Although certain members of the Company's management have experience developing and operating large scale hotels and casinos, none of these individuals has developed or operated a development of the anticipated size of the Aladdin, and only certain of these individuals have worked together with certain other members of the Company's management team in developing or operating similar projects, none of such projects being the anticipated size of the Aladdin. See "Management."

The operation of the Aladdin will be subject to significant business, economic, regulatory and competitive uncertainties and contingencies, many of which will be beyond the control of the Company and the Aladdin Parties. No assurances can be given that the Company will be able to manage the Aladdin on a profitable basis or attract a sufficient number of guests, gaming customers and other visitors to the Aladdin to make its various operations profitable independently or as a whole or to enable the Note Issuers and the Company to pay the principal of and interest on the Notes and the Bank Credit Facility. The Company will need to recruit a substantial number of new employees prior to the opening of the Aladdin at a time when other major facilities may be approaching completion and also recruiting employees. There can be no assurance that the Company will be able to recruit a sufficient number of qualified employees. Furthermore, it is not known to what extent such employees will be covered by collective bargaining agreements, as that will be a determination ultimately made by such employees. See "Business--Employees."

The opening and operation of the Aladdin will be contingent upon the receipt of all regulatory licenses, permits, approvals, registrations, findings of suitability, orders and authorizations from the Nevada Gaming Authorities (as defined herein) (collectively, "Gaming Approvals") by the Company, Holdings and its owners. The scope of the approvals required to construct and open the Aladdin is extensive, and the failure to obtain or maintain such approvals could prevent or delay the completion or opening of all or part of such facilities or otherwise affect the design and features of the Aladdin. In particular, the Company will be required to apply for and obtain approvals from the Nevada Gaming Authorities with respect to the construction, design and operational features of the Casino related to surveillance of gaming areas. In addition, the Company will need to apply for and obtain, prior to commencement of gaming activities at the Casino, a nonrestricted gaming license and Gaming Approvals from the Nevada Gaming Authorities with respect to the operation of the Casino and no assurances can be given that such Gaming Approvals will be obtained, or that if obtained, they will be obtained on a timely basis. Failure by the Company to obtain any such Gaming Approvals could materially and adversely affect the Company's financial position and results of operations. In connection with the Company's receipt of Gaming Approvals, its members and their owners and affiliates will also have to obtain applicable Gaming Approvals and no assurances can be given that such Gaming Approvals will be obtained or if obtained, that

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they will be obtained on a timely basis. See "--Government Regulation" and "Regulation and Licensing." Capital will also be subject to being called forward for a finding of suitability as a co-issuer of the Notes and the New Notes (as defined herein) in the discretion of the Nevada Gaming Authorities.

#### LACK OF EXPERIENCE BY THE TRUST AND RELATED ENTITIES IN CASINO OPERATION AND DEVELOPMENT

None of the Trust, AHL or Mr. Jack Sommer have had any prior experience in the development or operation of casinos. Their experience is in the ownership and/or development of office and apartment buildings and other real estate. While London Clubs has substantial experience in the ownership and operation of casinos and certain members of the Company's management have substantial experience in both the development and operation of casinos, there can be no

assurance that such experience will be sufficient to compensate for the Trust's, AHL's and Mr Sommer's lack of experience in the development and operation of casinos.

#### LACK OF DIVERSIFICATION; DEPENDENCE ON SINGLE SITE

Neither the Issuer, Holdings nor the Company anticipates having material assets or operations other than their respective interests in the Aladdin. Accordingly, they are subject to greater risks than a geographically diversified gaming operation.

The Issuer does not currently anticipate having material assets and operations other than its interest in Holdings and Holdings does not currently anticipate having material assets and operations other than its interests in the Company. In addition, the Company does not currently anticipate having material assets and operations other than the Aladdin and its membership interests in and advances to AMH, a wholly owned subsidiary of the Company which will own a 50% interest in the Music Project (on a fully diluted basis) through Aladdin Music. Accordingly, the Aladdin Parties and the Company will be subject to greater risks than a geographically diversified gaming operation, including, but not limited to, risks related to local economic and competitive conditions, changes in local and state governmental laws and regulations (including changes in laws and regulations affecting gaming operations and taxes) and natural and other disasters. The Company's, and so the Issuer's, principal sources of income following completion of the Complex will be the Aladdin, and, to a lesser extent, fees received from Aladdin Music for the provision of management services with respect to the Music Project. Accordingly, the ability of the Issuer to pay dividends to holders of Warrant Shares will be directly dependent on the success of the Aladdin and, to a lesser extent, the Music Project.

#### CERTAIN BANKRUPTCY CONSIDERATIONS

The structure of the Holdings Group and the fact that Holdings and the Company are limited-liability companies provides certain bankruptcy risks to holders of securities.

#### SUBSTANTIVE CONSOLIDATION

Under the Bankruptcy Code, it is possible that if AHL, the Company, the Issuer, London Clubs, the Trust, Holdings or Capital, or any of their affiliates (the "Affiliated Parties") becomes a debtor under applicable bankruptcy law, a bankruptcy court could order substantive consolidation of the assets and liabilities of any or all Affiliated Parties. Substantive consolidation is an equitable, fact-based remedy, not prescribed by statute, with respect to which the court has considerable discretion. While the separate legal existence of each Affiliated Party and its observance of certain formalities and operating procedures could effectively preclude, based on the present state of the case law (i) a finding that the assets of an Affiliated Party is property of the bankruptcy estates of any of the other Affiliated Parties and (ii) the substantive consolidation of the assets and liabilities of an Affiliated Party with those of any of the other Affiliated Parties, there can be no assurance that substantive consolidation would not occur. In addition, there can be no assurance that during litigation of such issues, delays will not occur in payments of indebtedness, even if the court ultimately rules against substantive consolidation, or that parties in interest might determine to settle such issues to avoid the expense and delay of litigation. If the court concludes there is substantive consolidation, however, payments of indebtedness could be delayed or reduced, which in turn could delay distributions (if any) to equity holders, including holders of Warrant Shares.

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#### LIMITED-LIABILITY COMPANIES

Holdings and the Company are limited-liability companies organized under the laws of the State of Nevada. Limited-liability companies ("LLCs") are relatively recent creations not only under the laws of the State of Nevada but also under the laws of other jurisdictions. Generally stated, LLCs are intended to provide both the limited liability of the corporate form for their members and certain advantages of partnerships, including "pass-through" income tax treatment for members, and thus have attributes of both corporations and partnerships. Given their recent creation, LLCs and their members have been involved in relatively few bankruptcy cases as debtors, and there has been little reported judicial authority addressing bankruptcy issues as they pertain to LLCs. Moreover, the existing judicial authority on such issues in bankruptcies of analogous entities (e.g. partnerships) is not well settled. Consequently, a bankruptcy of Holdings or the Company, its members or any of their affiliates, may be litigated and decided in the absence of dispositive judicial precedent, and thus, no assurance can be made as to any particular outcome.

#### COMPLEXITIES RELATING TO MULTIPLE SECURED LENDERS

All of the Company's assets are subject to first priority liens, either to the Bank Lenders under the Bank Credit Facility or the FF&E Lender under the FF&E Financing. The FF&E Lender's security interests relate to assets to be used in the Aladdin, which is pledged to the Bank Lenders. The existence of multiple secured lenders could cause complexities in and prolong the duration of bankruptcy proceedings or a debt restructuring of the Company, which in turn could delay distributions to the direct and indirect holders of membership interests in the Company, such as Holdings, Enterprises and holders of Warrant Shares.

#### RISKS UNDER DESIGN/BUILD CONTRACT AND FLUOR GUARANTY

Certain obligations of the Design/Builder under the Design/Build Contract are guaranteed by Fluor (the "Fluor Guaranty"). A default by either the Design/Builder under the Design/Build Contract or Fluor under the Fluor Guaranty could result in the Aladdin not being completed on schedule and have a material adverse effect on the Company and the Aladdin Parties. If a bankruptcy case were to be commenced voluntarily by or involuntarily against Fluor, remedies available under the Fluor Guaranty would be limited or unavailable. The Fluor Guaranty does not cover cost increases caused by certain acts commonly referred to as "force majeure."

#### CHANGE OF CONTROL

Upon a Change of Control (as defined in the Indenture), each holder of the Notes will have the right, at such holder's option, to require the Note Issuers to purchase the Notes owned by such holder at a price equal to 101% of the Accreted Value thereof plus accrued and unpaid interest, if any, and Liquidated Damages (as defined in the Indenture), if any, to the date of purchase. There can be no assurance that the Note Issuers will have sufficient funds to purchase the Notes after such a Change of Control. In addition, upon a change of control (as defined in the Bank Credit Facility) all amounts outstanding under the Bank Credit Facility will immediately become due and payable. There can be no assurance that the Company will have sufficient funds to repay the Bank Credit Facility or any other indebtedness that becomes due as a result of such event. See "Description of Certain Indebtedness and Other Obligations--Bank Credit Facility."

#### OPERATING RESTRICTIONS

The terms of the Indenture, the Bank Credit Facility and the other agreements governing the indebtedness of the Company impose significant operating and financial restrictions on the Company and the Aladdin Parties. Such restrictions significantly limit or prohibit, among other things, the incurrence of certain additional debt, distributions, transactions with affiliates of the Company and Holdings and the sale

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of certain assets. These restrictions, in combination with the degree to which the Company is leveraged, could limit the ability of the Company to respond to market conditions or meet extraordinary capital needs or could otherwise restrict corporate activities. There can be no assurances that such restrictions will not materially and adversely affect the ability of the Company to finance its future operations or capital needs and the operation of its business. See "Description of Certain Indebtedness and Other Obligations."

#### POSSIBLE CONFLICTS OF INTEREST

Potential for conflicts of interest exists between the Aladdin, on the one hand, and the other businesses to be operated on the Complex, and such conflicts may adversely effect the Company, Holdings and Enterprises.

The Trust is expected to hold significant interests in all of these businesses. Mr. Jack Sommer, who is Chairman and a director of the Company and Holdings and President of the Issuer, Mr. Ronald Dictrow, who is Executive Vice President/Secretary and a director of the Company and Holdings and a Secretary and director of the Issuer, are also directors of Bazaar. In addition, certain directors and executives of the Company and Holdings are currently and are likely to continue to be, directors and executives of Aladdin Music, which will develop and own the Music Project. Further, it is expected that in addition to managing the Aladdin, the Company or one of its affiliates, will also manage the Music Project. The objectives for each of these businesses may at times differ and such differences may be material. In addition, all such businesses will share the use of certain facilities on the Complex, including vehicular and pedestrian traffic ways, the Carpark and certain utilities (such as the Plant, which will provide energy to the Complex). For these reasons, potential exists for conflicts of interest, including in relation to the division of management time between each of these businesses, splitting of costs of shared facilities and the sharing of future business opportunities arising in connection with the Complex.

For example, certain directors of Holdings may be faced with a potential

conflict of interest arising from their interests in and relationship with the Aladdin and the other projects at the Complex. These include the following:

- decisions to direct customers to the Aladdin, the Music Project or the Mall Project
- allocations of costs and expenses relating to the REA (as defined herein) and Energy Services Agreement
- cost allocations during construction for areas such as the Carpark, the Plant and pedestrian traffic ways
- cost allocations for shared general and administrative services such as accountancy, purchasing and warehousing, human resources and legal

To the Issuer's knowledge, there is no Nevada authority addressing the issue of whether a person acting as a promoter (in this case, AHL), owes fiduciary duties to the entity, its owners or investors.

In addition, Planet Hollywood, which is a 50% shareholder in Aladdin Music (on a fully diluted basis) and the developer of the Music Project, is not contractually restricted or otherwise prevented from developing other music or entertainment theme hotel casinos in Las Vegas. The development of a competing Planet Hollywood-owned hotel in Las Vegas could give rise to conflicts of interest for Planet Hollywood and could materially and adversely affect the Music Project and so Aladdin Music, the Company and the Aladdin Parties.

London Clubs may have a potential conflict of interest arising from its relationship with the Company. This includes possibly directing clientele to its other interests worldwide instead of the Aladdin and focusing resources on its other projects.

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The Issuer believes that the agreements executed by London Clubs in connection with the Aladdin deal with this conflict by providing London Clubs with financial incentives which are dependent on certain financial goals being obtained by the Company.

#### SHARED FACILITIES

Because the Aladdin, the Mall Project and the Music Project will share certain operational facilities (the "Shared Facilities"), the construction of all such projects will include the construction of the Shared Facilities in sizes and/or capacities that will be sufficient for all such projects together, but are in excess of what is minimally required for the Aladdin. The Shared Facilities will include certain shared structural space, the Strip facade and related retail areas of the Complex. The Company will bear the full cost of constructing the Shared Facilities. However, Bazaar will be obligated to reimburse the Company for a portion of the construction costs related to the Shared Facilities if the Mall Project is completed. It is estimated that Bazaar's share of the cost of constructing the Shared Facilities will be \$14.2 million, including interest. If Bazaar is unable to obtain financing for the Mall Project, it is unlikely that Bazaar will be able to reimburse the Company for its share of the construction costs related to the Shared Facilities pursuant to the Site Work Agreement.

#### LIMITATIONS UNDER BANK COMPLETION GUARANTY AND NOTEHOLDER COMPLETION GUARANTY

London Clubs, the Trust and Bazaar Holdings have entered into the Bank Completion Guaranty and the Noteholder Completion Guaranty for the benefit of the Bank Lenders and the Noteholders, respectively. Failure by the parties to perform their obligations under these agreements could result in the Aladdin not being completed in a timely manner, or at all.

Pursuant to the Bank Completion Guaranty, London Clubs, the Trust and Bazaar Holdings have agreed among other things jointly and severally to guarantee the development, construction and equipping of the Aladdin for the benefit of the Bank Lenders. None of the holders of the Warrants, Warrant Shares, Holdings or the Issuer is a party to the Bank Completion Guaranty, however, London Clubs, the Trust and Bazaar Holdings have entered into the Noteholder Completion Guaranty for the benefit of the holders of the Notes, subject to certain important qualifications, limitations and exceptions. The Noteholder Completion Guaranty contains certain intercreditor provisions which significantly limit the rights of the State Street Bank and Trust Company, as trustee under the Indenture (the "Trustee") and the holders of the Notes, including certain standstill periods during which the Trustee and the holders of the Notes may not enforce the Noteholder Completion Guaranty or seek remedies thereunder, even if there is a default under the Bank Completion Guaranty and the Bank Lenders are no longer advancing funds. See "Description of Noteholder Completion Guaranty

The Bank Completion Guaranty entered into by London Clubs, the Trust and Bazaar Holdings requires that if the Company has insufficient funds available to complete the Aladdin, London Clubs, the Trust and Bazaar Holdings must contribute cash to the Company to enable such completion, subject to certain qualifications. None of the holders of Warrants or Warrant Shares, Holdings or the Issuer is party to the Bank Completion Guaranty and, accordingly, none of them may enforce any rights thereunder. In addition, none of the holders of Warrants or Warrant Shares, Holdings or the Issuer is party to the Noteholder Completion Guaranty and, accordingly, none of them may enforce any rights thereunder. The parties to the Bank Completion Guaranty have limited obligations under the Bank Completion Guaranty until and unless the proceeds of the Funding Transactions are, in the aggregate, insufficient to cover the construction cost increases covered by the Bank Completion Guaranty. The Bank Completion Guaranty terminates upon the indefeasible payment and performance of the Guaranteed Obligations (as defined herein). See "Description of Certain Indebtedness and Other Obligations--Bank Completion Guaranty."

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Neither the Bank Completion Guaranty nor the Noteholder Completion Guaranty contain restrictions on the ability of the parties thereto to incur indebtedness junior in respect of right of payment to the Guaranteed Obligations (excluding certain types of indebtedness). While such parties have informed the Company that they believe they will be able to perform their respective obligations thereunder, no assurance can be given that they will have available the financial resources if they are called on under the Bank Completion Guaranty or the Noteholder Completion Guaranty. If the Trust and Bazaar Holdings fail to perform their obligations under the Bank Completion Guaranty or the Noteholder Completion Guaranty, London Clubs is, in certain circumstances, entitled (through its affiliates) to exercise equal voting power to the Trust and its affiliates in the affairs of Holdings. If the parties under the Bank Completion Guaranty or the Noteholder Completion Guaranty are unable to perform their respective obligations thereunder, it may be an Event of Default under the Indenture and the Bank Credit Facility and the Aladdin may not be completed. In addition, should certain London Clubs specified exceptional events (a "Specified Event") under the Bank Completion Guaranty occur, at the option of the required lenders, such Specified Event shall constitute an event of default under the Bank Completion Guaranty and consequently under the Bank Credit Facility, and the Bank Lenders, without any further notice to a Guarantor, shall be entitled to exercise all rights and remedies available under the Bank Completion Guaranty and any other Loan Documents. See "Description of Certain Indebtedness and Other Obligations--Bank Completion" for a description of such Specified Events.

Certain historical financial information concerning London Clubs is included herein to assist investors in evaluating the ability of London Clubs to perform its obligations under the Bank Completion Guaranty and the Noteholder Completion Guaranty. Such information has been prepared in accordance with United Kingdom generally accepted accounting principles ("U.K. GAAP"), which principles are not consistent with, and materially differ from, United States generally accepted accounting principles ("U.S. GAAP"). With respect to the historical financial information of London Clubs included herein, such differences relate (among other things) to depreciation and amortization, valuation of fixed assets, recognition of deferred taxes, accounting for employee stock options, and accounting for pension costs. In making their investment decision, investors should consider that if such financial information of London Clubs was restated in accordance with U.S. GAAP, there are likely to be material differences from such information as stated in accordance with U.K. GAAP. Such differences would have no material effect on London Clubs' cash flows or liabilities and, accordingly, also would have no material impact on its ability to meet its obligations.

The U.K. Chancellor of the Exchequer has proposed to increase the highest marginal rate of gaming duty (tax on casino betting profits) from 33 1/3% to 40%. If the proposed tax increase were to be enacted into law, London Clubs could suffer a reduction of profits. The proposed tax increase is not certain to be enacted, or if enacted, in the form in which it has been proposed.

The Trust, which is indirectly a controlling stockholder of Enterprises, Holdings, Capital and the Company, is a joint and several guarantor (together with London Clubs and Bazaar Holdings) under each of the Bank Completion Guaranty and the Noteholder Completion Guaranty. In addition, the Trust and AHL are guarantors of all Bazaar's obligations under the Mall Financing. Furthermore, the Trust is expected to be an obligor under a keep-well agreement expected to be entered into with respect to the Music Project (the "Music Keep-Well Agreement"). See "--Lack of Available Information on the Trust's Ability to Perform Its Obligations Under Certain Agreements."

Bazaar Holdings was formed in September, 1997 and as of the Issue Date, had no material assets, liabilities or earnings. Bazaar Holdings holds a 37.5% membership interest in Bazaar and, as part of the Mall Financing, has provided certain guarantees and indemnifications to the Mall Lenders. Except for the foregoing, Bazaar Holdings has no material assets, liabilities or earnings and is not expected to have any material assets, liabilities or earnings until the Mall Project is completed and operating. Consequently, no financial information regarding Bazaar Holdings has been included herein and, accordingly, purchasers of

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the Warrants and Warrant Shares should not rely on Bazaar Holdings' performance under the Bank Completion Guaranty and the Noteholder Completion Guaranty when making their investment decision.

#### LACK OF AVAILABLE INFORMATION ON THE TRUST'S ABILITY TO PERFORM ITS OBLIGATIONS UNDER CERTAIN AGREEMENTS

Due to lack of financial information on the Trust, investors have no way of assessing the ability of the Trust to perform its obligations under the Noteholder Completion Guaranty and the Bank Completion Guaranty. The Trust was formed in 1982 with the residue and remainder of the assets of the Estate of Sigmund Sommer (the "Estate") in order to hold, manage, invest and reinvest the assets on behalf of its beneficiaries. Historically, the Trust's financial statements have been limited to tax basis reports required by various tax authorities, and the Trust has never prepared financial statements on a basis required by U.S. GAAP. The Trust holds, among other assets, direct and indirect interests in several real estate properties in addition to those owned by the Aladdin Parties and the Company, including certain interests that were acquired when it was formed. Although the Trust has determined the basis of those interests for tax reporting purposes, it never made the determinations that would be required by U.S. GAAP as to such matters as the appropriate carrying values of certain of the properties initially bequeathed to the Estate; allocations of costs of certain properties to various asset categories; amounts of additional costs of development and interest to be capitalized; amounts, if any, related to certain long-lived assets that should have been written down; and accruals, if any, of contingent liabilities. The Trust believes that the complexity of these issues in relation to the Trust's circumstances means that the preparation of financial statements for the Trust in accordance with U.S. GAAP would be extremely difficult if not impossible. Accordingly, no such financial statements have been prepared and purchasers of Notes should not rely upon the Trust's performance under the Noteholder Completion Guaranty or the Bank Completion Guaranty when making their investment decision.

#### RISK OF NON-PERFORMANCE UNDER KEEP-WELL AGREEMENT

Under the Keep-Well Agreement (as defined herein), AHL, London Clubs and Bazaar Holdings have agreed to ensure the Company's compliance with certain financial ratios. There can be no assurance that the parties will have available sufficient financial resources if they are called on to make payments under the Keep-Well Agreement. Failure of any of the parties to the Keep-Well Agreement to comply with their material obligations under the Keep-Well Agreement could have a material and adverse effect on the Company and the Aladdin Parties, and will constitute a default under the Bank Credit Facility and the Indenture.

AHL, London Clubs and Bazaar Holdings have agreed pursuant to an agreement (the "Keep-Well Agreement") to contribute, if required, funds to the Company to ensure the Company's compliance with certain financial ratios and other requirements under the Bank Credit Facility, subject to certain conditions. Neither Holdings, the Issuer nor the holders of Warrants or Warrant Shares is a party to the Keep-Well Agreement. The Keep-Well Agreement does not constitute a guaranty of the obligations of the Company under the Bank Credit Facility, the Notes or otherwise. In particular, under the Keep-Well Agreement, the parties to the Keep-Well Agreement are not required to contribute an aggregate of more than \$150.0 million to the Company (\$30.0 million in any fiscal year), and are not required to contribute any amounts to the Company on or after the earlier of the date on which the Company, without the benefit of cash contributions from the Controlling Stockholders or their affiliates, complies with all of the financial covenants set forth in the Bank Credit Facility for six consecutive quarterly periods from and after the Conversion Date (as defined herein) or the date on which the aggregate outstanding principal amounts of the Bank Credit Facility are reduced below certain amounts and prior to certain dates.

While the parties to the Keep-Well Agreement have informed the Company that they believe they will be able to perform their obligations under the Keep-Well Agreement, no assurance can be given that they will have available sufficient financial resources if they are called on to make payments under the Keep-

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Well Agreement. The obligations of London Clubs under the Keep-Well Agreement are subordinated to other obligations of London Clubs under certain of its pre-existing senior debt facilities. Furthermore, although the obligations of London Clubs under the Keep-Well Agreement are guaranteed by certain subsidiaries of London Clubs, such subsidiaries also currently guarantee senior existing indebtedness of London Clubs. In addition, there are certain restrictions on each of the parties' to the Keep-Well Agreement ability to incur indebtedness or sell or transfer assets. If a party defaults in its obligations under the Keep-Well Agreement, such party's (or its affiliate's) interest in Holdings could be subject to dilution, which dilution could affect that party's (or its affiliate's) ability to control or direct the policies of Holdings and so the Company. Failure of each of the parties to the Keep-Well Agreement to comply with their material obligations under the Keep-Well Agreement could have a material and adverse effect on the Company and the Aladdin Parties, and will constitute a default under the Indenture. The payments and issuance of additional securities will be subject to the prior approval of the Nevada Gaming Authorities. See "Controlling Stockholders--Keep-Well Agreement."

Certain historical financial information concerning London Clubs is included herein to assist investors in evaluating the ability of London Clubs to perform its obligations under the Keep Well Agreement. Such information has been prepared in accordance with United Kingdom generally accepted accounting principles ("U.K. GAAP"), which principles are not consistent with, and materially differ from, United States generally accepted accounting principles ("U.S. GAAP"). With respect to the historical financial information of London Clubs included herein, such differences relate (among other things) to depreciation and amortization, valuation of fixed assets, recognition of deferred taxes, accounting for employee stock options, and accounting for pension costs. In making their investment decision, investors should consider that if such financial information of London Clubs was restated in accordance with U.S. GAAP, there are likely to be material differences from such information as stated in accordance with U.K. GAAP. Such differences would have no material effect on London Clubs' cash flows or liabilities and, accordingly, also would have no material impact on its ability to meet its obligations.

The U.K. Chancellor of the Exchequer has proposed to increase the highest marginal rate of gaming duty (tax on casino betting profits) from 33 1/3% to 40%. If the proposed tax increase were to be enacted into law, London Clubs could suffer a reduction of profits. The proposed tax increase is not certain to be enacted, or if enacted, in the form in which it has been proposed.

The Trust, which is indirectly a controlling stockholder of Enterprises, Holdings, Capital and the Company, is a joint and several guarantor (together with London Clubs and Bazaar Holdings) under each of the Bank Completion Guaranty and the Noteholder Completion Guaranty. In addition, the Trust and AHL are guarantors of all Bazaar's obligations under the Mall Financing. Furthermore, the Trust is expected to be an obligor under the Music Keep-Well Agreement. No financial information regarding the Trust is publicly available for the purpose of evaluating the Trust's creditworthiness and, accordingly, purchasers of Warrants or Warrant Shares should not rely upon the Trust's performance under the Bank Completion Guaranty or the Noteholder Completion Guaranty when making their investment decision.

#### DEPENDENCE UPON KEY MANAGEMENT AND LACK OF EXPERIENCED PERSONNEL

The Company is dependent to a large extent on the services of its senior management. There can be no assurance that such individuals will remain with the Company, and if such members of senior management do not remain with the Company, the Company will be required to hire individuals with adequate experience to replace such members of management on comparable terms, and no assurances can be made as to the Company's ability to do so.

The ability of the Company to maintain its competitive position is dependent to a large degree on its ability to retain the services of its senior management team, including Jack Sommer, Richard Goeglein and James McKennon. Although certain of the senior managers of the Company have employment agreements with the Company, there can be no assurance that such individuals will remain with the Company. The loss

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of the services of any of these individuals or an inability to attract and retain additional senior management personnel could have a material adverse effect on the operation of the Aladdin. There can be no assurance that the

Company will be able to retain its existing senior management personnel or to attract additional qualified senior management personnel. See "Management."

Until construction of the Aladdin is close to completion, the Company believes that it will not require extensive operational management and, accordingly, has kept and intends to keep its permanent staff at relatively minimal levels. However, the Company will be required to undertake a major recruiting and training program prior to the opening of the Aladdin at a time when other major new facilities may be approaching completion and also recruiting employees. While the Company believes that it will be able to attract and retain a sufficient number of qualified individuals to operate the Aladdin on acceptable terms, the pool of experienced gaming and other personnel is limited and competition to recruit and retain gaming and other personnel is likely to intensify as more casinos are opened. No assurance can be given that such employees will be available to the Company for use in managing the Aladdin.

#### RISK OF OVERCAPACITY; COMPETITION AND PLANNED CONSTRUCTION IN LAS VEGAS

Construction of several new major resort projects could lead to increased competition and overcapacity in the Las Vegas hotel/casino market. As a result, the operations and profitability of the Company could be adversely affected.

The hotel/casino industry is highly competitive. Hotels located on or near the Strip ("Strip Hotels") compete with other Strip Hotels and with other major hotels in downtown Las Vegas. The Aladdin will also compete with a large number of other hotels and motels located in and near Las Vegas. According to the Las Vegas Convention and Visitors Authority (the "LVCVA"), as of December 31, 1997, there were 105,347 hotel and motel rooms in the Las Vegas area. Direct competitors of the Company will include theme-oriented mega-resorts on the Strip such as Caesars Palace Hotel, The Mirage, Treasure Island Hotel and Casino, New York-New York Hotel and Casino and the MGM Grand Hotel and Casino. Many competitors of the Company are subsidiaries or divisions of large public companies and may have greater financial and other resources than the Company. In addition, the construction of several new major resort projects that will compete with the Company and the expansion of several existing resorts have commenced construction or have recently been announced. These include the planned Bellagio, Paris Casino Resort, Mandalay Bay and Venetian Casino Resort, all currently under construction. Additionally, expansions have recently been completed at Caesars Palace Hotel and Harrah's Las Vegas. These projects and others are expected to add approximately 20,000 hotel rooms to the Las Vegas inventory by 1999. According to the LVCVA, in 1997 the number of hotel rooms in Las Vegas rose to over 105,000, a gain of 6.3%, while the number of visitors rose by only 2.8% to approximately 30 million. Accordingly, while hotel occupancy rates currently stand at 90.3%, a comparison with hotel occupancy rates from 1994 shows only a slight increase. The future operating results of the Company, and so the Aladdin Parties, could be materially and adversely affected by such competitors and excess Las Vegas room and gaming capacity. Such competition and increased supply with steady visitor counts has affected and may continue to affect room prices, occupancy rates and profits.

The hotel/casino operations of the Company will also compete, to some extent, with other hotel/casino facilities in Nevada and in Atlantic City, with hotel/casino facilities elsewhere in the world and with state lotteries. In addition, certain states have recently legalized, and others may or are likely to legalize, casino gaming in specific areas, and passage of the Indian Gaming Regulatory Act in 1988 has led to rapid increases in American Indian gaming operations. The Company expects many competitors to enter such new jurisdictions that authorize gaming, some of which competitors may have greater financial and other resources than the Company and the legalization of casino gaming in or near any metropolitan area from which the Company intends to attract potential customers could have a material adverse effect on the business of the Company. Although the Company is unaware of any particular legislation to legalize casino gaming in or near metropolitan areas which could attract potential customers from the Aladdin, such

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proliferation of gaming activities could significantly and adversely affect the business of the Company, and so the Aladdin Parties. See "Business--The Las Vegas Market."

The Desert Passage will compete with retail malls in or near Las Vegas, including the Fashion Show Mall, the Forum Shops at Caesars Palace and retailers in theme-oriented mega resorts, all of which may attract consumers away from the Desert Passage and so the Complex.

#### GOVERNMENT REGULATION

The gaming operations of the Aladdin and ownership of securities of the Issuer will be subject to extensive regulation and discretionary oversight by the Nevada Gaming Authorities. Changes in regulations or the denial or revocation of a Gaming Approval could have a material adverse effect on the Company and the Aladdin Parties.

The gaming operations and the ownership of securities of the Company and the Holdings Group will be subject to extensive regulation by the Nevada Gaming Authorities. The Nevada Gaming Authorities will have broad authority with respect to licensing and registration of entities and individuals involved with the Company and the Holdings Group.

The Issuer may be required to disclose the identities of the holders of the Warrants and Warrant Shares to the Nevada Gaming Authorities upon request. The Nevada Commission (as defined herein) may, in its discretion, require the holder of any security of a Registered Company (as defined herein), such as the Warrants and the Warrant Shares, to file an application, be investigated and be found suitable to own the security of a Registered Company. If the Nevada Commission determines that a person is unsuitable to own such security, then pursuant to the Nevada Act (as defined herein), the Registered Company can be sanctioned, including the loss of its approvals if, without the prior approval of the Nevada Commission, it: (i) pays to the unsuitable person any dividend, interest, or any distribution whatsoever; (ii) recognizes any voting right by such unsuitable person in connection with such securities; (iii) pays the unsuitable person remuneration in any form, or (iv) makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation, or similar transaction.

Each holder of the Warrants and the Warrant Shares shall be deemed to have agreed (to the extent permitted by law) that if the Nevada Gaming Authorities determine that a holder or beneficial owner of the Warrants and the Warrant Shares must be found suitable, and if such holder or beneficial owner either refuses to file an application or is found unsuitable, such holder shall, upon request of the Issuer, dispose of such holder's Warrants and the Warrant Shares within 30 days after receipt of such request or such earlier date as may be ordered by the Nevada Gaming Authorities. The Issuer will also have the right to call for the redemption of the Warrants and the Warrant Shares by any holder at any time to prevent the loss or impairment of a Gaming Approval or an application for a Gaming Approval, at a redemption price equal to the cost paid by such holder. The beneficial owners of the Warrants and Warrant Shares will be subject to the requirement of obtaining Gaming Approvals in the discretion of the Nevada Gaming Authorities. Any beneficial owner of more than 10% of the voting securities of the Issuer will be required to obtain a Gaming Approval. However, the Warrants are exercisable only into non-voting shares of common stock of the Issuer.

The Nevada Gaming Authorities may also, among other things, revoke the license of any entity licensed by the Nevada Gaming Authorities (a "Company Licensee") or the registration of a Registered Company or any entity registered as an intermediary company or a holding company of a Company Licensee. In addition, the Nevada Gaming Authorities may revoke the license or finding of suitability of any officer, director, manager, member, controlling person, shareholder, noteholder or key employee of a licensed or registered entity. If Gaming Approvals of the Company or Holdings were revoked for any reason, the Nevada Gaming Authorities could require the closing of the Casino, which would result in a material adverse effect on the Company and the Aladdin Parties. The Company, and certain of its officers, directors, manager, members and key employees, have applied for licensing with the Nevada Gaming

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Authorities. Also, the Company possesses or has applied for all necessary state and local government approvals, licenses and permits, other than Gaming Approvals, necessary to open and operate the facility.

In addition, any future public offering of debt or equity securities by the Company, the Note Issuers or the Issuer, including the Exchange Offer (as defined herein), any Qualified Public Offering and the issuance of Common Stock of the Issuer upon the exercise of the Warrants, if the securities or the proceeds from the sale thereof are intended to be used to pay for construction of, or to acquire an interest in, any gaming facilities in Nevada, to finance the gaming operations of an affiliated company or to retire or extend obligations incurred for any such purpose, requires the prior approval of the Nevada Commission or, a ruling from the Chairman of the Nevada Board (as defined herein) that such approval is not required. See "Regulation and Licensing" and "Description of Indebtedness and Other Obligations--Senior Discount Notes."

#### LACK OF PUBLIC MARKET FOR THE WARRANTS AND WARRANT SHARES

There are currently no established trading markets for the Warrants and the Warrant Shares. Therefore, there can be no assurance as to the liquidity of any such trading market, if a trading market were to develop, or that an active market for such securities will develop at all.

The Warrants and Warrant Shares are each new issues of securities for which there is currently no trading market. There can be no assurance regarding the future development of a market for the Warrants or Warrant Shares, or the ability of the holders of the Warrants or Warrant Shares to sell such

securities, or the price at which such holders may be able to sell such securities. If such a market were to develop, the Warrants and Warrant Shares could trade at prices that may be higher or lower than the price paid by selling holders of Warrants or Warrant Shares depending on many factors, including prevailing interest rates, the Aladdin Parties' operating results and the market for similar securities. Each of the Initial Purchasers has advised the Aladdin Parties that it currently intends to make a market in the Warrants and Warrant Shares. However, the Initial Purchasers are not obligated to do so and any market making in respect to such securities may be discontinued at any time without notice. Therefore, there can be no assurance as to the liquidity of any trading market for the Warrants and Warrant Shares or that an active trading market for such securities will develop. The Aladdin Parties do not intend to apply for listing or quotation of the Warrants and Warrant Shares, on any securities exchange or stock market. The Warrants and the Warrant Shares are currently eligible for trading in the Private Offerings, Resales and Trading through Automated Linkages ("PORTAL") market. Following the Registration Statement being declared effective by the Commission, the Warrants and the Warrant Shares will not be eligible for PORTAL trading.

USE OF PROCEEDS

No proceeds will be received by the Issuer from the registration or subsequent sale of the Warrants or Warrant Shares pursuant to the Registration Statement. The gross proceeds from the sale of the Units were estimated to be \$115.0 million. The net proceeds (net of Initial Purchasers' discounts and estimated Offering expenses) together with the proceeds from the other Funding Transactions are being used to develop, construct, equip and open the Aladdin and to fund the Company's cash contribution to Aladdin Music with respect to the Music Project.

Upon or prior to the consummation of the Offering (i) the proceeds from the sale of the Units were allocated between the Notes and the Warrants, (ii) Sommer Enterprises (a) contributed a portion of the Contributed Land and \$7.0 million consisting of the benefit of certain predevelopment costs incurred by AHL to the Issuer in exchange for Class A Common Stock in the Issuer and (b) also contributed a portion of the Contributed Land to Holdings in exchange for Holdings Common Membership Interests, (iii) the Issuer contributed the portion of the Contributed Land and the benefit of the predevelopment costs received from Sommer Enterprises and the net proceeds allocable from the sale of the Warrants to Holdings in exchange for Holdings Common Membership Interests, (iv) Holdings contributed the Contributed Land appraised at \$150.0 million, approximately \$42 million in cash from the London Clubs Contribution and \$7.0 million consisting of the benefit of certain predevelopment costs incurred by AHL to the Company in exchange for Common Membership Interests of the Company, and (v) Holdings contributed \$115.0 million in cash, consisting of the net proceeds of the sale of the Units and approximately \$8 million from the London Clubs Contribution, to the Company in exchange for Series A Preferred Interests of the Company. The London Clubs Contribution, together with a portion of the net proceeds of the Offering, were expended on the Issue Date to repay certain existing indebtedness assumed by the Company in connection with the Sommer Equity Financing and to pay certain accrued expenses and certain fees and expenses incurred in connection with the Funding Transactions. The remaining net proceeds from the Offering (approximately \$35 million) were deposited in the Note Construction Disbursement Account. The liquidation preference of the Series A Preferred Interests held by Holdings will equal at all times the Accreted Value of the Notes.

Prior to or contemporaneously with the Offering the following other Funding Transactions for the financing by the Company of the Aladdin were consummated: (i) the Sommer Equity Financing and an indirect equity contribution to Holdings by London Clubs of \$50.0 million in cash in exchange for Holdings Common Membership Interests; (ii) the closing of the \$410.0 million Bank Credit Facility and the funding of the Term B Loan and the Term C Loan thereunder into the Cash Collateral Account and (iii) execution and delivery of a commitment letter for the FF&E Financing, consisting of one or more leases or loans in the aggregate amount of \$80.0 million, covering the Specified Equipment and the Gaming Equipment, to be used in the Aladdin. See "Controlling Stockholders--Equity and Series A Preferred Interest Financing," "Description of Certain Indebtedness and Other Obligations--Bank Credit Facility" and "--FF&E Financing."

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the development, construction, equipping and opening of the Aladdin are as follows (in millions):

<TABLE>  
<CAPTION>

SOURCES		USES	
<S>	<C>	<C>	<C>
Bank Credit Facility(1).....	\$ 410.0	Hotel and Casino(7).....	\$ 295.6

FF&E Financing(2).....	80.0	Off-Site Improvements(8).....	6.8
Senior Discount Notes due 2010(3).....	115.0	Reimburseable Site Work Expenses(6).....	14.2
Land Contribution(4).....	150.0	Furniture, Fixtures and Equipment and	
Cash Contribution(5).....	57.0	Gaming Equipment(9).....	107.5
Anticipated Site Work Reimbursement(6).....	14.2	Land(10).....	135.0
		Retire Existing Debt(11).....	74.5
		Capitalized Interest, Net(12).....	44.0
		Pre-Opening Costs and Expenses.....	16.9
		Reimbursement of Predevelopment Costs(13).....	3.9
		Working Capital(14).....	15.0
		Construction and FF&E Contingency(15).....	31.8
		Land Investment in Music Project(16).....	15.0
		Cash Equity Investment in the Music	
		Project(17).....	21.3
		Financing Fees and Expenses(18).....	44.7
			-----
Total Sources.....	\$ 826.2	Total Uses.....	\$ 826.2
			-----
			-----

</TABLE>

- (1) The Company entered into the Bank Credit Facility with the Bank Lenders. The Bank Credit Facility, which closed concurrently with the closing of the Offering, consists of three separate term loans. Term A Loan comprises a term loan of \$136.0 million and matures seven years after the initial borrowing date. Term B Loan comprises a term loan of \$114.0 million and matures eight and one-half years after the initial borrowing date. Term C Loan comprises a term loan of \$160.0 million and matures ten years after the initial borrowing date. The Term B Loan and Term C Loan were funded into the Cash Collateral Account on the Issue Date, and in June, 1998, the Company began to use a portion of such funds in the construction of the Aladdin. The use of the remaining proceeds of the Term B Loan and Term C Loan in the construction of the Aladdin is subject to satisfaction of the conditions in the Disbursement Agreement. It is anticipated that the Company will begin to draw down the Term A Loan, subject to satisfaction of the conditions in the Disbursement Agreement, approximately 21 months after the Issue Date. See "Risk Factors--Drawn Down of Funds Under Funding Transactions." All of the Loans will convert from construction loans into amortizing loans on the Conversion Date. The Company has the option to pay interest at either LIBOR or Scotiabank's ABR, in each case plus certain margins. See "Description of Certain Indebtedness and Other Obligations--Bank Credit Facility."
- (2) The Company entered into an agreement with the FF&E Lender for provision of the FF&E Financing. The FF&E Financing consists of \$60.0 million of operating leases and \$20.0 million in loans and will be used by the Company to obtain the Gaming Equipment and Specified Equipment. See "Description of Certain Indebtedness and Other Obligations--FF&E Financing."
- (3) Represents the gross proceeds of the Offering, which, net of expenses of approximately \$8 million, were contributed, together with approximately \$8 million in cash received pursuant to the London Clubs Contribution, by Holdings to the Company in exchange for Series A Preferred Interests.
- (4) The land on which the Aladdin, the Music Project and the Plant will be built, including adjacent land of approximately 0.8 acres, comprises a total of approximately 22.75 acres (the "Contributed Land") and was contributed to the Company by Holdings in exchange for Common Membership Interests. The Contributed Land has an appraised fair market value of \$150.0 million (book value of \$33.6 million as of December 31, 1997). Approximately 18 acres of the Contributed Land, having an appraised fair market value of \$135.0 million, will be retained by the Company and approximately 4.75 acres of the Contributed Land, having an appraised fair market value of \$15.0 million, will be used for the Music Project.
- (5) Represents (i) a \$50.0 million cash contribution by London Clubs in exchange for 25% of the Holdings Common Membership Interests and (ii) a \$7.0 million deemed equity contribution by the Issuer in exchange for Holdings Common Membership Interests, consisting of certain pre-development costs incurred by AHL in 1996, 1997 and 1998.
- (6) Pursuant to the Site Work Agreement, the Company has agreed to complete the construction of, among other things, the Mall Shared Space, construction of which will commence prior to the initial funding of the Mall Financing. Bazaar has agreed to reimburse the Company for up to \$14.2 million (including interest) of the costs associated with such construction upon the completion of the Mall Shared Space. See "Certain Material

- (7) Represents (i) the guaranteed maximum price of construction of the Aladdin pursuant to the Design/Build Contract of \$267.0 million, less the contingency allowance of \$6.8 million and expected reimbursement from Bazaar of \$13.6 million (net of approximately \$0.6 million of interest) as set forth in note (6) above; (ii) approximately \$35 million for theming the Aladdin; (iii) \$11.7 million for professional fees and disbursements; and (iv) \$2.3 million for permits and taxes. See "Risk Factors-- Completion of the Mall Project and the Music Project." The Design/Build Contract contains financial incentives for the Design/ Builder to complete the Aladdin within the construction budget and in a timely manner, as well as liquidated damages payable to the Company for certain unexcused delays. See "Risk Factors--Risks of New Construction," "Risks Under Design/Build Contract and Fluor Guaranty" and "Certain Material Agreements--Design/Build Contract."
- (8) Represents the cost of off-site improvements, including overhead pedestrian walkways and widening of certain streets, for those parts of the Project Site on which the Aladdin will be built.
- (9) Includes \$26.5 million of gaming equipment and \$81.0 million of furniture, fixtures and other equipment consisting of new furniture and equipment other than gaming equipment).
- (10) Represents the appraised fair market value of the land on which the Aladdin and the Plant will be built, together with adjacent land of approximately 0.8 acres.
- (11) Represents the retirement on the Issue Date of \$68.7 million of existing indebtedness on the Contributed Land with an interest rate of LIBOR plus 650 bps and \$5.8 million of existing debt owed by the Trust to GW Vegas, assumed by the Company as part of Holdings' equity contribution to the Company.
- (12) Represents capitalized gross interest under the Bank Credit Facility of \$57.4 million and capitalized gross interest of \$2.4 million from leasing expenses in connection with the FF&E Financing, from the date of the Offering until the estimated completion of the Aladdin in the first four months of the year 2000, net of interest income anticipated to be earned upon the investment in cash equivalents of the funds (assumed to be at 5% per annum) from the proceeds of the Offering and the proceeds of the Term B Loan and Term C Loan.
- (13) Represents \$3.0 million of certain predevelopment costs incurred by AHL and reimbursed at closing and up to \$0.9 million of certain predevelopment costs expected to be incurred and reimbursed over the expected construction period.
- (14) Represents cash on hand, inventories, deposits and other cash balances required for the opening of the Aladdin.
- (15) Comprises (i) the \$6.8 million contingency included in the guaranteed maximum price set forth in the Design/Build Contract and (ii) the \$25.0 million general project contingency.
- (16) Represents the appraised fair market value of the approximately 4.75 acres of land on which the Music Project will be built, which land will be contributed by the Company to AMH in exchange for common membership interests in AMH.
- (17) Represents cash to be contributed by the Company to AMH for common membership interests in AMH.
- (18) Represents fees in connection with the organization of the Company and the financing of the Aladdin, including approximately \$8 million for expenses incurred in connection with the Offering.

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#### CAPITALIZATION

#### THE ISSUER

The following table sets forth the capitalization of the Issuer as of December 31, 1997 and as of the Issue Date. This table should be read in conjunction with the more detailed information and financial statements appearing elsewhere in this Prospectus. See "Use of Proceeds" and "Description of the Warrants and Warrant Shares."

<TABLE>  
<CAPTION>

AS OF  
DECEMBER 31, 1997

AS OF  
THE ISSUE DATE

	<C>	<C>
	(IN MILLIONS)	
Long-term debt: .....	\$--	\$--
Members' Equity:		
Class A Common Stock(1).....	--	0.4
Class B Common Stock.....	--	--
Additional Paid-in Capital(2).....	--	15.0
Total Members' Equity.....	--	15.4
Total Capitalization.....	\$--	\$15.4

</TABLE>

(1) Represents: (i) the \$6.3 million book value of the Contributed Land (such land having an appraised fair market value of \$28.1 million), net of approximately \$12.9 million of existing indebtedness repaid from the proceeds of the Offering, and (ii) a \$7.0 million deemed equity contribution consisting of certain predevelopment costs incurred by AHL in 1996, 1997 and 1998.

(2) Represents \$15.0 million of the gross proceeds of the Offering allocated to the sale of the Warrants.

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#### HOLDINGS AND SUBSIDIARIES

The following table sets forth the consolidated capitalization of Holdings at December 31, 1997, as of the Issue Date after giving effect to the Offering and upon the consummation of the Funding Transactions (assuming all of the Funding Transactions occurred on the Issue Date). The Issuer's sole material asset is 25% of the Holdings Common Membership Interests. This table should be read in conjunction with the more detailed information and financial statements appearing elsewhere in this Prospectus. See "Use of Proceeds" and "Description of Certain Indebtedness and Other Obligations."

<TABLE>

<CAPTION>

	AS OF DECEMBER 31, 1997	AS OF THE ISSUE DATE	UPON CONSUMMATION OF THE FUNDING TRANSACTIONS
<S>	<C>	<C>	<C>
	(IN MILLIONS)		
Long-term debt:			
Company:			
Bank Credit Facility(1).....	\$ --	\$ 274.0	\$ 410.0
FF&E Financing(2).....	--	--	20.0
Total Long-term Debt.....	--	274.0	430.0
Holdings:			
Senior Discount Notes due 2010(3).....	--	100.0	100.0
Holdings and subsidiaries:			
Total Long-term Debt and Senior Discount Notes....	--	374.0	530.0
Members' Equity(4) (5).....	--	30.8	30.8
Total Capitalization.....	\$ --	\$ 404.8	\$ 560.8

</TABLE>

(1) The Company entered into the Bank Credit Facility with the Bank Lenders. The Bank Credit Facility, which closed concurrently with the closing of the Offering, consists of three separate term loans. Term A Loan comprises a term loan of \$136.0 million and matures seven years after the initial borrowing date. It is anticipated that the Company will begin to draw down the Term A Loan, subject to satisfaction of the conditions in the Disbursement Agreement, approximately 21 months after the Issue Date. Term B Loan comprises a term loan of \$114.0 million and matures eight and one-half years after the initial borrowing date. Term C Loan comprises a term loan of \$160.0 million and matures ten years after the initial borrowing date. The Term B Loan and Term C Loan (comprising \$274.0 million in aggregate) were funded on the Issue Date, and subject to satisfaction of the conditions in the Disbursement Agreement, are expected to be drawn down beginning in June 1998 (being approximately four months after the Issue Date). All of the

Loans will convert from construction loans into amortizing loans on the Conversion Date, with substantial amounts due during the final six quarters of the Term B Loan and the Term C Loan. The Company has the option to pay interest at either LIBOR or Scotiabank's ABR, in each case plus a certain margin. See "Description of Certain Indebtedness and Other Obligations--Bank Credit Facility."

- (2) The Company entered into an agreement with the FF&E Lender for provision of the FF&E Financing. The FF&E Financing consists of \$20.0 million in loans and \$60.0 million in operating leases and is expected to be used by the Company to obtain the Gaming Equipment and Specified Equipment. The FF&E Financing will begin to be funded six months prior to the opening of the Aladdin. See "Description of Certain Indebtedness and Other Obligations--FF&E Financing."
- (3) The Notes have an initial Accreted Value of \$115.0 million which equals the gross proceeds of the Offering, such gross proceeds, net of expenses of approximately \$8 million, were contributed, together with approximately \$8 million in cash received pursuant to the London Clubs Contribution, by Holdings to the Company in exchange for Series A Preferred Interests. The Aladdin Parties have allocated \$100.0 million of the gross proceeds of the Offering to the Notes and \$15.0 million of such proceeds to the Warrants. See "Use of Proceeds" and "Certain United States Federal Income Tax Considerations."
- (4) Represents: (i) the \$33.6 million book value of the Contributed Land (such land having an appraised fair market value of \$150.0 million) and \$15.0 million of the gross proceeds of the Offering allocated by the Aladdin Parties to the sale of the Warrants and contributed by the Issuer to Holdings for Holdings Common Membership Interests, net of approximately \$69 million of indebtedness and \$5.8 million of debt owed to GW Vegas and repaid from the proceeds of the Offering, (ii) a \$50.0 million cash contribution to Holdings by London Clubs in exchange for 25% of the Holdings Common Membership Interests, and (iii) a \$7.0 million deemed equity contribution by the Issuer, consisting of certain predevelopment costs incurred by AHL in 1996, 1997 and 1998.
- (5) Does not include any ascribed value for the Bank Completion Guaranty.

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#### DIVIDENDS AND DISTRIBUTIONS

The Issuer does not anticipate paying any dividends on any Issuer Stock (including the Warrant Shares) in the foreseeable future. The timing, amount and form of distributions, if any, will depend, among other things, on the Company's results of operations, financial condition, cash requirements and other factors deemed relevant by the Company Board. The Issuer's ability to make any future cash distributions or payments to holders of Issuer Stock, including the Warrant Shares, will depend on the Issuer's receipt of cash distributions on its Holdings Common Membership Interests, which in turn will depend on Holdings' receipt of cash distributions on its Common Membership Interests from the Company. The Company Operating Agreement and the Holdings Operating Agreement restrict the ability of the Company and Holdings to make cash distributions on the Common Membership Interests and Holdings Common Membership Interests, respectively, prior to payment of distributions on preferred membership interests, except for distributions to cover any tax liability in respect of Holdings Common Membership Interests. The Bank Credit Facility and the Indenture also contain significant restrictions on the ability of the Company and Holdings to make distributions to members. See "Certain Material Agreements--Company Operating Agreements," and "-- Holdings Operating Agreement" and "Description of Certain Indebtedness and Other Obligations -- Bank Credit Facility" and "-- Senior Discount Notes."

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#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### DEVELOPMENT ACTIVITIES

The Issuer is an indirect subsidiary of AHL and was incorporated in December 1997 for the sole purpose of issuing the Warrants and Warrant Shares. The sole material asset of the Issuer is 25% of the Holdings Common Membership Interests which represents an indirect interest to the Warrant holders of 10% of the outstanding Holdings Common Membership Interests on a fully diluted basis. Holdings is a holding company, the material assets of which are 100% of the outstanding Common Membership Interests and 100% of the outstanding Series A Preferred Interests of the Company. The Company was organized in January 1997. Since that time and until the Issue Date, the Company's activities have been carried on by AHL on the Company's behalf. To date, the Company's activities

have principally been limited to arranging the design, construction and financing of the Aladdin (including the Funding Transactions) and applying for certain permits, licenses and approvals necessary for the development and operation of the Aladdin. The Company plans to develop, construct and operate the Aladdin as the centerpiece of an approximately 35 acre world-class resort, casino and entertainment complex located on the site of the existing Aladdin hotel and casino (the "Project Site"). The Aladdin will be situated at a premier location at the center of the Strip in Las Vegas, Nevada. The original Aladdin hotel and casino was built on the Project Site in 1966. The Theater was added in 1976. The Project Site was purchased by the Trust, through a predecessor-in-interest to AHL, in December 1994. To maintain certain tax attributes obtained in connection with the Trust's acquisition of the Project Site, the original hotel and casino continued to be leased by JMJ, Inc., the company which leased the Project Site from the former owners. On April 27, 1998, the original Aladdin hotel and casino was demolished to clear the Project Site for the development of the Complex. The Aladdin is currently expected to open in the first four months of the year 2000.

#### RESULTS OF OPERATIONS

The Aladdin Parties and the Company have had no significant operations to date. Certain financial statements for the Issuer and Holdings (on a consolidated basis), Capital and the Company are included herein. Such historical operating results are not indicative of future operating results.

Future operating results of the Company, which will be relevant to the ownership and operation of the Aladdin and so the Issuer, are subject to significant business, economic, regulatory and competitive uncertainties and contingencies, many of which are beyond the control of the Company and the Aladdin Parties. While the Company believes that the Aladdin will be able to attract a sufficient number of patrons and achieve the level of activity necessary to permit the Note Issuers and the Company to meet their payment obligations on their indebtedness and Holdings to make cash distributions on the Holdings Common Membership Interests, no assurances can be given that they will be able to do so.

#### LIQUIDITY AND CAPITAL RESOURCES

The approximately \$790 million necessary to fund the development, financing, construction and opening of the Aladdin (excluding the Company's \$21.3 million planned indirect cash contribution and \$15.0 million appraised fair market value land contribution to Aladdin Music, as part of the development funds for the Music Project) will be derived from a combination of (i) borrowings of up to \$410.0 million under the Bank Credit Facility; (ii) operating lease and loan obligations aggregating \$80.0 million under the FF&E Financing; (iii) the Equity and Series A Preferred Interest Financing, comprising an equity contribution by London Clubs of \$50.0 million in cash, \$7.0 million in pre-development costs incurred by AHL in 1996 and 1997, \$150.0 million appraised fair market value in land by Holdings and \$115.0 million of gross proceeds from the Offering; and (iv) anticipated reimbursement pursuant to the Site Work Agreement of \$14.2 million, including interest. See "Use of Proceeds."

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On the Issue Date the Company entered into the Bank Credit Facility with the Bank Lenders. The Bank Credit Facility consists of three separate term loans. Term A Loan comprises a term loan of \$136.0 million and matures seven years after the initial borrowing date. Term B Loan comprises a term loan of \$114.0 million and matures eight and one-half years after the initial borrowing date. Term C Loan comprises a term loan of \$160.0 million and matures ten years after the initial borrowing date. The Term B Loan and the Term C Loan were funded on the Issue Date into the Cash Collateral Account, and subject to satisfaction of the conditions in the Disbursement Agreement, are expected to be drawn down beginning in June 1998 (approximately four months after the Issue Date). It is anticipated that the Company will begin to draw down the Term A Loan, subject to satisfaction of the conditions in the Disbursement Agreement in December 1999 (approximately 21 months after the Issue Date). See "Risk Factors-- Conditions to Drawdown of Funds under Funding Transactions." All of the Loans will convert from construction loans into amortizing loans on the Conversion Date, with substantial amounts due during the final six quarters of the Term B Loan and the Term C Loan. The Company has the option to pay interest at either LIBOR or Scotiabank's ABR, in both cases plus certain margins. See "Description of Certain Indebtedness and Other Obligations--Bank Credit Facility."

On the Issue Date, the Note Issuers issued the Notes pursuant to the Offering. The Notes mature on March 1, 2010. The initial Accreted Value of the Notes was \$519.40 per \$1,000 principal amount at maturity of the Notes. The Notes accrete at 13 1/2% (computed on a semi-annual bond equivalent basis) based on the initial Accreted Value, calculated from the Issue Date. The Notes will accrete to an aggregate principal amount of \$221.5 million by March 1, 2003. Cash interest will not accrue on the Notes prior to March 1, 2003. Commencing on September 1, 2003, cash interest on the Notes will be payable, at a rate of 13 1/2% per annum, semiannually in arrears on March 1 and September 1 of each

year until maturity. See "Description of Certain Indebtedness and Other Obligations--Senior Discount Notes."

The FF&E Financing provides for the operating lease financing of up to \$60.0 million and loans of \$20.0 million to obtain the Gaming Equipment and the Specified Equipment. Under the terms of the FF&E Financing, repayments of principal and interest are due in quarterly installments. The FF&E Financing is secured by all of the Gaming Equipment and Specified Equipment financed pursuant thereto. See "Description of Certain Indebtedness and Other Obligations--FF&E Financing."

Pursuant to the Equity and Series A Preferred Interest Financing, Holdings contributed to the Company the following property: (a) approximately \$107 million in cash (comprising net proceeds from the Offering), (b) an approximately 22.75 acre portion of the Project Site upon which the Aladdin, the Music Project and the Plant will be built (together with adjacent land of approximately 0.8 acres), which has an appraised fair market value of \$150.0 million, (c) \$7.0 million in the form of certain pre-development costs incurred by AHL in 1996 and 1997, and (d) the London Clubs Contribution, consisting of \$50.0 million in cash.

London Clubs, the Trust and Bazaar Holdings have entered into the Bank Completion Guaranty for the benefit of the Bank Lenders, and the Noteholder Completion Guaranty for the benefit of the holders of the Notes, pursuant to which London Clubs, the Trust and Bazaar Holdings are required, whenever there are certain construction cost increases in connection with the work to be performed pursuant to the Design/Build Contract, and subject to certain qualifications, to contribute cash to the Company to fund all such increases in construction costs. Neither the Issuer, holders of Issuer Stock (such as the Warrant Shares) nor holders of the Warrants is party to, or entitled to enforce the Bank Completion Guaranty or Noteholder Completion Guaranty. See "Risk Factors--Lack of Available Information on the Trust's Ability to Perform Its Obligations Under Certain Agreements" and "--Limitations Under Bank Completion Guaranty and Noteholder Completion Guaranty," "Description of Certain Indebtedness and Other Obligations--Bank Completion Guaranty" and "Description of Noteholder Completion Guaranty and Disbursement Agreement--Noteholder Completion Guaranty."

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AHL, London Clubs, and Bazaar Holdings have entered into the Keep-Well Agreement for the benefit of the Bank Lenders. Pursuant to the Keep-Well Agreement, AHL, London Clubs and Bazaar Holdings have agreed to contribute funds to the Company to ensure the Company's compliance with certain financial ratios and other requirements under the Bank Credit Facility for the period up to the earlier of the date on which the Company complies with all the financial covenants set forth in the Bank Credit Facility for six consecutive quarterly periods from and after the Conversion Date or the date on which the aggregate outstanding principal amounts of the Bank Credit Facility are reduced below certain amounts and prior to certain dates, subject to certain conditions. See "Controlling Stockholders--Keep-Well Agreement."

The funds provided by the Funding Transactions are expected to be sufficient to develop, complete and commence the operations of the Aladdin, assuming no delays or construction cost overruns which (i) are not covered by the \$31.8 million Contingency or (ii) Fluor and/or the Design/Builder are not responsible for pursuant to the Fluor Guaranty and the Design/Build Contract, respectively. As of May 31, 1998, the Company expended \$1.7 million of the Contingency. The Company does not expect that additional external funding will need to be obtained in order to develop and commence the operations of the Aladdin.

Following the commencement of operations of the Aladdin, the Company expects to fund its operating and capital needs, as currently contemplated, with \$15.0 million of working capital from the Funding Transactions and operating cash flows. In addition, upon the opening of the Aladdin, the Company is expected to have an aggregate of \$10.0 million available under a working capital facility. Although no additional financing is contemplated, the Company will seek, if necessary and to the extent permitted under the Indenture and the terms of the Bank Credit Facility, additional financing through additional bank borrowings or debt or equity financings. There can be no assurance that additional financing, if needed, will be available to the Company, or that, if available, the financing will be on terms favorable to the Company. There can also be no assurance that estimates by the Company of its reasonably anticipated liquidity needs are accurate or that new business developments or other unforeseen events will not occur, resulting in the need to raise additional funds.

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BUSINESS

OVERVIEW OF THE COMPLEX

The Company plans to develop, construct and operate the Aladdin as the centerpiece of an approximately 35 acre world-class resort, casino and entertainment complex located on the site of the existing Aladdin hotel and casino in Las Vegas, Nevada, a premier location at the center of the Strip. The Aladdin has been designed to include a luxury theme hotel of approximately 2,600 rooms, an approximately 116,000 square foot casino, an approximately 1,400-seat production showroom and seven restaurants. The Casino's main gaming area will contain approximately 2,800 slot machines, 87 table games, keno and a race and sports book facility. Included on a separate level of the Casino will be the 15,000 square foot luxurious Salle Privee, which is expected to contain an additional 20 to 30 high denomination table games and approximately 100 high denomination slot machines. The Salle Privee will cater to wealthy clientele and be operated and marketed in conjunction with London Clubs, a prestigious, multi-national casino operator which caters to international premium players. The Complex, which has been designed to promote Casino traffic and to provide customers with a wide variety of entertainment alternatives, will comprise (i) the Aladdin; (ii) the themed entertainment Desert Passage shopping mall with approximately 522,000 square feet of retail space; (iii) the Music Project, which will be a second hotel and casino with a music and entertainment theme, expected to be known as "Sound Republic Hotel and Casino;" (iv) the newly renovated 7,000-seat Theater; and (v) the approximately 4,800-space Carpark. The Mall Project and the Music Project will be separately owned by affiliates of the Company. The Company's business and marketing strategies are expected to capitalize on the Complex's premier location, its superior designed, mixed-use, themed development, and strong strategic partnering with highly successful public companies. The grand opening date for the Aladdin and the Mall Project is currently anticipated to occur during the first four months of the year 2000, with the opening of the Music Project expected to occur within six months after the opening of the Aladdin.

The Company's management team is led by Chief Executive Officer Richard J. Goeglein, the former President and Chief Executive Officer of Harrah's Hotels and Casinos and President and Chief Operating Officer of Holiday Corp., who during his term at Harrah's oversaw the expansion of the Harrah's brand, including the development of Harrah's Hotel and Casino in Atlantic City. Assisting Mr. Goeglein as Senior Vice President of the Company and President/Chief Operating Officer of the Aladdin Hotel and Casino is James H. McKennon, who as President and Chief Operating Officer of Caesars Tahoe was instrumental in its financial turnaround and as President of Caesars World International Marketing Corp. was responsible for the global marketing of the Caesars brand.

It is expected that approximately \$75 million will be spent on theming in the Aladdin and the Desert Passage, of which approximately \$35 million will be spent by the Company on the Aladdin. This theming will create an environment in the Aladdin that will be based upon the Legends of the 1001 Arabian Nights, including the intriguing tales of Aladdin, Ali Baba and the 40 Thieves, Sinbad and other legendary stories woven around ancient wealth and wonders. The Aladdin theme will be carefully crafted through the interior and exterior architecture of the facility. The Aladdin's exterior will be designed to include a highly articulated streetscape, a themed Casino exterior shaped like a Bedouin tent, fountains, walkways, sculptures and an outdoor restaurant. The sophisticated interior of the Aladdin will utilize rich colors, textures and design, enhancing the fantasy of a mystical romantic time and place. A significant feature of the Desert Passage will be the themed area to be known as the "Lost City." The Lost City is expected to contain a re-creation of an ancient mystical mountain city and will house a variety of specialty shops and restaurants underneath a 10-story high ceiling. The Company believes that the Aladdin, with its unique theme, together with the Desert Passage and Music Project, will ensure its place as a "must-see" destination in one of the world's largest entertainment cities.

The Company believes that upon completion, the Aladdin, the Mall Project and the Music Project together will constitute one of the largest and best-planned integrated, mixed-use entertainment resorts in the world. Bazaar Holdings, a subsidiary of the Trust, and THB, a subsidiary of TrizecHahn, have entered

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into a joint venture agreement and formed Bazaar to develop, construct, own and operate the Mall Project. TrizecHahn is the principal retail subsidiary of TrizecHahn Corporation, one of the largest publicly-traded real estate companies in North America. The Desert Passage is expected to include an array of high-fashion specialty stores, exotic boutiques, theme restaurants, cafes and other entertainment offerings. The Desert Passage will be directly connected to the Casino to maximize Casino traffic.

AMH and a subsidiary of Planet Hollywood have entered into the Music Project Memorandum of Understanding, relating to the ownership and development of the Music Project. The Music Project Memorandum of Understanding is subject to the finalization of financing commitments. Planet Hollywood is a creator and

worldwide developer of themed restaurants and consumer brands, most notably "Planet Hollywood" and the "Official All Star Cafe." Planet Hollywood has announced that it intends to position a brand of music-oriented entertainment venues as its third major brand. The Music Project, which will be managed by the Company, is expected to include an approximately 1,000 room hotel, a 50,000 square foot casino, four restaurants, including a music-themed restaurant which will feature its own 1,000-person nightclub, a health spa and an outdoor swimming pool. As part of the development of the Complex, the Company expects to indirectly contribute to Aladdin Music \$21.3 million in cash and land having an appraised fair market value of \$15.0 million in exchange for a preferred membership interest and to lease the existing 7,000-seat Theater to Aladdin Music for a nominal amount. It is anticipated that Aladdin Music will carry out an approximately \$8 million renovation of the Theater, improving its decor, light and sound systems and other facilities. A further distinguishing feature of the Music Project is the anticipated active involvement of famous artists and celebrities, some of whom are expected to be stockholders of Planet Hollywood (or an affiliate), participate in the marketing of the Music Project brand and perform at the Theater or make other personal appearances at the Music Project. The Music Project, with its music and entertainment theme, will complement the Aladdin and it is expected that together the two hotels will offer an excitement and variety of entertainment alternatives that will further distinguish the Complex from other venues on the Strip.

The development of the Aladdin commenced during the first quarter of 1998. The existing Aladdin hotel and casino closed for business on November 25, 1997 and the original facility was demolished on April 27, 1998. The development of the Mall Project is expected to commence during the second quarter of 1998, followed thereafter by the expected commencement of the development of the Music Project in the second half of 1998. There can be no assurance, however, that either of the Mall Project or the Music Project will, in fact, be completed. If either or both are not completed, the Company will need to expend additional amounts (expected to be up to approximately \$23 million) with respect to the completion of shared structural space and the cost of surface parking. See "Risk Factors--Completion of the Mall Project and the Music Project."

#### PREMIER LOCATION

The Aladdin's 800 feet of Strip frontage is located on the section of the Strip between Flamingo Road at the north and Tropicana Boulevard at the south. Based upon independent research and assuming completion of the Bellagio, Paris and Venetian development projects, average vehicular traffic that will pass the Complex each day is expected to be approximately 54,000.

**AIRPORT ACCESS.** Another major feature of the Complex will be its easy access from Las Vegas' McCarran Airport, only 2.5 miles away. According to the LVCVA, the number of visitors to Las Vegas has increased at a steady and significant rate for the last 15 years, growing from approximately 10 million in 1980 to approximately 19 million in 1990 to over 30 million in 1997, with approximately 47% of these visitors in 1997 arriving by air through McCarran Airport. McCarran Airport, the tenth busiest airport in the United States, is currently in the process of expanding its capacity through the addition of 26 new gates, and it is expected that following completion thereof, the number and percentage of visitors arriving in Las Vegas by air will further increase, making easy access from McCarran Airport to Las Vegas' resorts even more crucial.

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**VEHICLE ACCESS.** The Complex will also offer easy access from other major Las Vegas attractions, including the Las Vegas Convention Center, Hughes Center office park, and the University of Nevada Las Vegas, the site of the Thomas & Mack arena, via the main vehicular access on Harmon Avenue. As part of the Complex, Harmon Avenue, which borders the Project Site, is expected to become a major east/west thoroughfare and be widened from its existing four lanes to six lanes. These improvements will allow visitors to access the Aladdin's approximately 5,000 car spaces (including the approximately 4,800-space Carpark) without having to traverse the traffic congestion on the Strip, but while still utilizing major freeways and roads. In addition, by the use of a circular internal roadway, guests arriving by limousine, car service or private vehicles will be able to enter the Complex directly and easily from the Strip, Audrie Lane and Harmon Avenue, further distinguishing the Hotel from many of its competitors.

**PEDESTRIAN ACCESS.** The main entrance to the Aladdin will be located on the Strip. The Complex's 800 feet of Strip frontage will provide pedestrians with easy access to the Casino and the Desert Passage. A signaled crosswalk is expected to be installed on the Strip to provide pedestrians with easy access from the Bellagio. In addition, overhead pedestrian walkways have been designated for at least two segments of the Harmon Avenue/Strip intersection that will facilitate pedestrian traffic to the Aladdin.

The Aladdin has been carefully and strategically designed to promote Casino traffic by an experienced and dedicated team with extensive backgrounds in real estate development and construction; hotel, casino and restaurant operations; and retail development and management. Each element of the Complex has been sited and planned in a manner that maximizes pedestrian and vehicular traffic so as to facilitate access to and from the Complex, as well as circulation between the different parts of the Complex. The combination of the two distinct hotels and casinos (catering to different but complementary market segments), the Mall Project, the Theater and the Salle Privee will make the Complex a unique integration of high-end and upper-middle market uses that benefit each other and distinguish the Complex from other resorts on the Strip.

The Casino will be located in front of the Hotel, and unlike many of the newer projects on the Strip, will provide easy access for pedestrians without requiring long walks into the Complex. The Casino will be the nexus for the vast majority of pedestrian traffic in the fully integrated Complex, including the Desert Passage, the Music Project, and the Theater. Significant portions of the Desert Passage and all of the Theater's entrances and exits will be accessed through, or be adjacent to, the Casino. The Complex's 800 feet of Strip frontage will provide pedestrians with easy access to the Casino and the Desert Passage from the Strip. Pedestrian visitors to the Aladdin entering from the Strip will be able to enter directly through the Casino or through the Desert Passage entrances.

Another feature of the design of the Complex which will further distinguish the Aladdin from its competitors will be the ease of both vehicular and pedestrian traffic flow. Through the use of a circular internal roadway, guests arriving by limousine, car service or private vehicle will be able to enter the Complex directly and easily from the Strip and Harmon Avenue. Furthermore, by the use of bridges and access ways, pedestrians will not be required to cross roadways while moving between different attractions on the Complex, thus facilitating ease of movement between various parts of the Complex and the Strip.

#### UNIQUE ENTERTAINMENT FACILITIES

The Aladdin is expected to benefit from the Casino traffic generated from the broad variety of entertainment facilities located throughout the Complex. The Aladdin will be adjacent to the existing Theater, which will continue to be used to hold major concerts and theatrical performances, and is one of the few venues of its size and type in Nevada. The Company expects to lease the existing Theater for a nominal amount to Aladdin Music, which intends to carry out an approximately \$8 million renovation of the Theater, improving its decor, light and sound systems and other facilities. The Theater's renovation is expected to transform it into a first-class venue and provide an additional source of visitor traffic to the

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Complex. Under the Theater Lease (as defined herein), the Company will retain certain rights to use the Theater for Company-promoted events at agreed commercial rates.

The Aladdin will also include a 1,400-seat showroom which will provide live nightly entertainment on its mezzanine level for the Hotel, Casino, Desert Passage and other guests. The showroom will feature a 1001 Arabian Nights-themed production show, including elegant, exotic costuming, music, lighting and choreography. Furthermore, the Music Project will contain a 1,000-person nightclub featuring regular live performances.

The Desert Passage will be designed to engage the customer in a themed shopping, entertainment and dining experience. Of the approximately 522,000 square feet of retail space within the Desert Passage, it is anticipated that approximately 25% will be devoted to high pedestrian traffic-generating food, beverage and entertainment experiences. A significant feature of the Desert Passage will be the themed area to be known as the "Lost City." The "Lost City" is expected to contain a re-creation of an ancient mystical mountain city and will house a variety of specialty shops and restaurants underneath a 10-story high ceiling.

#### PRESTIGIOUS STRATEGIC PARTNERS

The Company has assembled a unique combination of partners for the development of the Complex - London Clubs, TrizecHahn, Planet Hollywood and Unicom Corporation. These partners bring a wealth of knowledge, capital, networks and experience to the Complex.

**LONDON CLUBS INVESTMENT.** London Clubs, a prestigious multi-national casino operator, owns through LCNI 25% of the outstanding Holdings Common Membership Interests. London Clubs had an equity market capitalization of over \$461 million

on May 29, 1998. As reflected on page A-17 hereof, London Clubs' Cash Flow From Operating Activities for the 53 weeks ended March 30, 1997 was approximately L44.8 million and for the 52 weeks ended March 29, 1998 was approximately L23.3 million. London Clubs believes that based on its current financial condition and business operations, it will be able to meet its commitments under the Bank Completion Guaranty, the Noteholder Completion Guaranty and the Keep-Well Agreement. London Clubs has extensive experience in the international marketing of casinos to premium players and maintains a strong presence in the United Kingdom (where it controls the largest share of the London casino market), Europe, Asia and the Middle East. In addition to its 25% ownership of the outstanding Holdings Common Membership Interests, London Clubs, through LCNI, will direct the operations of, and act as marketing consultant to, the Salle Privee, the luxurious 15,000 square foot gaming area to be located on the mezzanine level of the Casino which will be designed to cater to the needs of the international premium-play guest. The Company believes that the Salle Privee will be the first of its kind in the United States managed by a European operator and based on the European concept of full service gaming areas for premium players. The Salle Privee's primary business and marketing focus will be to access London Clubs' worldwide member base of upscale casino clientele. Salle Privee Hotel guests will be escorted through a private entrance to a dedicated registration lobby and then taken via a private elevator to the Salle Privee's five private floors of suites at the apex of the Aladdin's main tower. Once there, the 24-hour butler and concierge will cater to the care and comfort of the Salle Privee guest. In the elegantly appointed Salle Privee casino, the customer may dine in the 100-seat exclusive restaurant, offering fine cuisine from around the world.

London Clubs provides the Aladdin with an extensive international network of premium casino players, having established substantial goodwill and customer loyalty from high-end customers in the United Kingdom, Europe, Asia and the Middle East. In addition, London Clubs is an experienced service provider to high-end gaming customers and brings a wealth of knowledge to the Aladdin in building and maintaining relationships with and customer loyalty from such clientele. London Clubs also provides the Company with superb promotional opportunities, not only by word of mouth through its network of contacts, but also through international sporting sponsorships, including horse racing and motor racing, which are well recognized in the United Kingdom, Cyprus, Hong Kong, Dubai and Malaysia, and its

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international print publications, which are distributed to members worldwide utilizing London Clubs' substantial database of premium clientele.

**JOINT VENTURE WITH PLANET HOLLYWOOD.** Through a subsidiary, Planet Hollywood has agreed to be a 50% partner (on a fully diluted basis) in the Music Project. Planet Hollywood is a creator and worldwide developer of consumer brands, most notably "Planet Hollywood" and the "Official All Star Cafe," that capitalize on the universal appeal of the high energy environment of movies, sports and other entertainment-based themes. As of December 31, 1997, there were 78 Planet Hollywood brand restaurants and nine Official All Star Cafe brand restaurants worldwide. Planet Hollywood has announced that it intends to position its brand of music-themed entertainment venues as its third major brand. A distinguishing feature of the Music Project is the anticipated active involvement of famous artists and celebrities, some of whom are expected to be stockholders of Planet Hollywood, participate in the marketing of Planet Hollywood's music-oriented brand and help generate significant media attention and publicity. Planet Hollywood plans to utilize its strategy of celebrity involvement with its music-themed brand. The Company believes this exposure will enhance the Aladdin by providing immediate excitement and press coverage for the Complex.

**STRATEGIC RELATIONSHIP WITH TRIZECHAHN.** The Mall Project will be owned, developed and operated by Aladdin Bazaar, a joint venture between Bazaar Holdings and TBH, a wholly-owned subsidiary of TrizecHahn. TrizecHahn is a wholly-owned subsidiary of TrizecHahn Corporation, one of the largest publicly traded real estate companies in North America, with an equity market capitalization of over \$3.1 billion on May 29, 1998.

TrizecHahn was the developer of the Fashion Show Shopping Mall on the Strip and other major shopping malls including Horton Plaza in San Diego, Bridgewater Commons in New Jersey, Valley Fair in San Jose and Park Meadows in Denver. The Company believes that TrizecHahn's proven ability in designing well laid-out retail centers, attracting high quality tenants and successfully promoting and operating its retail projects will benefit the Aladdin by attracting a consistent stream of visitors to the Complex and its various attractions. Investors should be aware that TrizecHahn has announced that it is considering selling its operating portfolio of regional shopping centers and on April 6, 1998 announced the sale of 20 regional shopping centers for over \$2.5 billion. While TrizecHahn's announcement is limited to the sale of its current operating portfolio of regional shopping centers, there can be no assurance that

TrizecHahn will not similarly decide to sell its interest in the Desert Passage. Accordingly, investors cannot be assured that TrizecHahn will own and operate the Desert Passage once it becomes operational, and as a result, pedestrian traffic to the Aladdin may decrease. See "Risk Factors--Completion of the Mall Project and the Music Project."

ENERGY PLANT CONTRACT WITH ENERGY PROVIDER. The Energy Provider is a subsidiary of UTH. The predecessor entity of UTH was founded in 1993 to develop district energy projects, and UTH has developed the largest district cooling system in the world, located in Chicago, Illinois. UTH is also a partner in energy ventures in Boston, Houston and Windsor, Ontario. The Energy Provider's obligations under the Development Agreement up to \$30.0 million will be guaranteed by its ultimate parent, Unicom. Unicom, which is listed on the New York Stock Exchange, had an equity market capitalization of over \$7.6 billion on May 29, 1998. See "Risk Factors--Completion of the Energy Project."

CLOSE RELATIONSHIP BETWEEN MANAGEMENT AND OWNERS. On completion, it is expected that the Complex will be one of only two independently constructed hotel, casino and retail major Strip projects in Las Vegas (the other being the Venetian Hotel and Casino). All other major competitors of the Aladdin are corporate projects, such as the Bellagio, owned by Mirage Resorts, Inc. and Paris Casino owned by Hilton. Management believes that the close relationship between the Company's members and management will be conducive to more efficient decision making and ultimately assist in the successful development and operation of the Complex.

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#### STRATEGY

The Company's business and marketing strategies are linked together by the Complex's premier location, its superior design, mixed-use theme development and strong strategic partnering with highly successful public companies.

CREATE A "MUST-SEE" DESTINATION. The Company believes that the Aladdin, with its unique, well-executed design, together with the Desert Passage and the Music Project (including the newly renovated Theater), will ensure its place as a "must-see" destination in one of the fastest growing entertainment cities in the world. The Aladdin theme will be supported by a sophisticated interior design enhancing the fantasy of mystical and romantic time and place. The Aladdin's main Casino traffic will be driven not only by Hotel guests, but also by the customers directly attracted from the Strip. Visitor traffic to the Aladdin will also be enhanced by the attractiveness of the Desert Passage. With the addition of the Music Project, which will address a somewhat younger clientele, the Complex will have a combined room count of approximately 3,600 rooms and appeal to a broader customer demographic.

MARKET POSITIONING. The Company intends to focus on three different market segments to attract customers to the Aladdin:

- UPSCALE CLIENTELE. The Hotel will be designed to appeal to upscale clientele, providing the amenities and level of service such high-end guests expect. In particular, each of the Hotel's approximately 2,600 guest rooms and suites will have an area of not less than 450 square feet--exceeding that of the average Las Vegas hotel room of approximately 360 to 400 square feet--and 24% of the Hotel's guest rooms and suites will have an area exceeding 620 square feet. The Hotel's room inventory for the upscale market will include 400 "king parlors" (ranging from 620 to 680 square feet), 136 "tower end-cap suites" (ranging from 732 to 1,162 square feet) and 58 "center king suites" (585 square feet). Each of the rooms and suites will have a large four or five fixture bathroom with a separate shower, bathtub, up to two washbasins and an enclosed watercloset. A special feature of each of the rooms and suites will be the added width given to the interior design allowing for a more residential feel. The Hotel will provide extensive recreational facilities for its guests, including a 20,000 square foot health spa with steam, sauna and massage services and an outdoor swimming-pool complex located above the Desert Passage and surrounded by gardens and fountains. The Company intends to promote the Hotel's many features to the upscale market through a variety of media, including high-end print publications, travel agents and events sponsorships. A targeted relationship marketing program is expected to ensure clientele retention and repeat visitation.
- INTERNATIONAL PREMIUM PLAYER CLIENTELE. The Company believes that the Salle Privee will be the first of its kind in the United States managed by a European operator and based on the European concept of full-service gaming areas for premium players. The focus of the Salle Privee's business will be the wealthy clientele that form the core of London Clubs' business in London and elsewhere. The Hotel will include 30 suites primarily for use by Salle Privee clientele, including 25 "Salle Privee" suites (ranging from 815 to 930 square feet) and five "mega-suites" (ranging from 2,125 to 3,500 square feet). The Company will maintain the Salle Privee's premium player atmosphere through more sophisticated dining options, higher table

limits and more formal levels of service and dress.

- UPPER-MIDDLE MARKET CLIENTELE. The Hotel's variety of guest rooms, six of its seven restaurants and the 1,400-seat production showroom, combined with the heavily-themed Casino, Theater and Desert Passage, are expected to appeal broadly to the upper-middle market guest. In addition, the Music Project is expected to appeal to the upper-middle market by attracting younger, affluent customers to the Complex through its music and entertainment-based theme. The Music Project is expected to include an approximately 1,000 room hotel, four restaurants, including a music-themed restaurant which will feature its own 1,000-person nightclub, a health spa and outdoor swimming pool, together with a 50,000 square foot casino. The Theater, which will be a major feature of the

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Complex, will be central to the Company's promotional strategies for this market segment, with publicity expected to be gained through the booking of popular performers, many of which are expected to be broadcast live to Planet Hollywood's other music-themed entertainment venues. Cooperative advertising and promotion through various media, such as television, radio and print, will be used to promote the Complex to the upper-middle market.

LEVERAGE FROM STRATEGIC RELATIONSHIPS. The Company and its affiliates have chosen as strategic partners an experienced team of retail, casino and themed entertainment developers and operators. The Company intends to utilize the unique expertise of its partners from the preliminary development stages of the Complex through its promotion and operation.

- DEVELOPMENT EXPERTISE. In establishing a strategic relationship with TrizecHahn, the Company has obtained the knowledge, skills and capital of a partner who has expertise in the coordination, construction and completion in a timely manner of large, high quality projects.
- MANAGEMENT AND OPERATING ABILITIES. The Complex will benefit from the experience of TrizecHahn, London Clubs and Planet Hollywood in its operations. Through its management and ownership of several shopping centers, TrizecHahn has demonstrated its ability to successfully design, configure and attract high quality tenants to its retail shopping projects. London Clubs has extensive experience in the international marketing and operation of casinos, in particular to premium players. In addition, Planet Hollywood has successfully grown its concepts to 87 company-owned and franchised Planet Hollywood and Official All Star Cafe units (as of December 31, 1997) since commencing business in 1991.
- CAPITALIZING ON BRAND NAMES. With access to some of the most well-known names in the relevant markets, the Company expects to capitalize on the worldwide brand recognition of Planet Hollywood, London Clubs and TrizecHahn.
- ACCESSING NEW CLIENT BASE. London Clubs and Planet Hollywood are expected to provide the Complex with access to market segments which the Company believes have not been extensively penetrated by other hotel/casinos in Las Vegas. London Clubs provides the Aladdin with one of the best networks of international premium players in the world and superb promotional opportunities. Furthermore, it is expected that Planet Hollywood will introduce a younger, affluent clientele to the Complex through, among other things, celebrity involvement in the Music Project.

CAREFULLY MANAGE CONSTRUCTION COSTS AND RISKS. The Company anticipates the total cost of developing, financing, constructing and opening the Aladdin to be approximately \$790 million (excluding the Company's \$21.3 million planned indirect cash contribution and \$15.0 million appraised fair market value land contribution to Aladdin Music as part of the development funds for the Music Project). As part of the Company's strategy of carefully managing construction costs and risks, the Company has hired Tishman, a privately held company with extensive experience in building quality hotels and casinos, to be the construction manager. As construction manager, Tishman will advise with respect to scheduling, administration and reporting in connection with the construction activities of the Design/Builder. In addition, the following arrangements have been made to ensure the full and timely completion of the Aladdin.

BANK COMPLETION GUARANTY AND NOTEHOLDER COMPLETION GUARANTY. London Clubs, the Trust and Bazaar Holdings have entered into the Bank Completion Guaranty for the benefit of the Bank Lenders, under which they have agreed, among other things, to guarantee the completion of the Aladdin. The Bank Completion Guaranty, which became effective as of the closing of the Offering, is not subject to any maximum dollar limitations. London Clubs, the Trust and Bazaar Holdings have entered into the Noteholder Completion Guaranty for the benefit of the holders of the Notes, under which they guarantee completion of the Aladdin, subject to certain important exceptions, limitations and qualifications. Neither Holdings, the Issuer nor the holders of the Warrants or Warrant Shares are party

to the Bank Completion Guaranty or Noteholder Completion Guaranty. No financial information regarding the Trust is available for the purpose of evaluating the Trust's creditworthiness and, accordingly, purchasers of Warrants or

Warrant Shares should not rely upon the Trust's performance under the Bank Completion Guaranty of Noteholder Completion Guaranty when making their investment decision. See "Risk Factors--Limitations Under Bank Completion Guaranty and Noteholder Completion Guaranty" and "--Lack of Available Information on the Trust's Ability to Perform Its Obligations Under Certain Agreements," "Description of Certain Indebtedness and Other Obligations--Bank Completion Guaranty" and "Description of Noteholder Completion Guaranty and Disbursement Agreement--Noteholder Completion Guaranty."

DESIGN/BUILD CONTRACT. Fluor Daniel, Inc. is the design/builder for the Aladdin. The Design/Builder has entered into a guaranteed maximum price design/build contract (subject to scope changes) with the Company to construct the Aladdin. The Design/Build Contract provides the Design/Builder with incentives for completing the Aladdin ahead of schedule and within budget and for payment of liquidated damages to the Company for certain delays. The Design/Build Contract is guaranteed by Fluor Corporation, the parent of the Design/Builder, pursuant to the Fluor Guaranty. See "Certain Material Agreements-- Design/Build Contract."

MALL FINANCING AND MALL GUARANTY. Bazaar has entered into a building loan agreement with the Mall Lenders to fund the construction of the Mall Project. Furthermore, TrizecHahn, THOP, the Trust, Bazaar Holdings and AHL have agreed to guarantee completion of the Mall Project and Bazaar's indebtedness to the Mall Lenders until certain earnings and loan to value targets have been met. Funding under the Mall Financing is subject to certain conditions. See "Risk Factors--Completion of the Mall Project and the Music Project" and "Certain Material Agreements--Mall Financing."

#### THE ALADDIN

OVERVIEW. The Aladdin will comprise the Hotel and the Casino and will be owned, developed and operated by the Company. The Aladdin will be constructed of high quality materials, including floors covered in stone, marble and granite set in intricate patterns; carpeting of wool axminster; and wall surfaces of covered architectural veneers, tiles of stone, ceramic and mosaic. The main ceiling treatment will combine actual tent drape with texture and design of a matching motif.

THE ALADDIN HOTEL. The Hotel building is expected to comprise a 34-story, 400 foot main tower attached to two 17 story towers. The approximately 2,600-room Hotel room inventory will include standard rooms, 400 "king parlors" (ranging from 620 to 680 square feet), 136 "tower end-cap suites" (ranging from 732 to 1,162 square feet), 58 "center king suites" (585 square feet), 25 "Salle Privee Suites" (ranging from 815 to 930 square feet) and five "mega-suites", the largest of which will be approximately 3,500 square feet. The design and furnishings of the rooms will be spacious and luxurious, with appointments inspired by the Aladdin theme. All guest rooms will include such amenities as a dual line phone in the bathroom and two additional dual line speakerphones with modem hook-up. The king parlors, tower end-cap, center king and Salle Privee suites and the mega-suites will include a king-size or two queen-size beds, with over-sized bathrooms featuring a separate bathtub and shower, dual sinks, enclosed watercloset and, for the center king, Salle Privee and mega-suites, such amenities as a separate living area with a fully-stocked minibar and a work area with modem hook-up, fax machine/printer and video telephone technology. The suites will be designed to accommodate informal business meetings involving both business travelers and convention attendees. Approximately 93 of the suites will be of a larger size, allowing for the possibility of casually entertaining up to forty persons in the living area. The main tower will also house luxury suites designed for Salle Privee and other VIP guests, including premium casino players and convention and trade show attendees who require additional space for entertaining.

The Hotel is expected to provide extensive recreational facilities designed to pamper its guests, including a 20,000 square foot health spa with steam, sauna and massage services and an outdoor swim-ming-pool complex located above the Desert Passage and surrounded by gardens and fountains.

The Aladdin is expected to include seven restaurants, with combined seating capacity for over 2,300 customers, offering a wide range of dining selections. Food service facilities at the Aladdin will include a

buffet and food plaza seating 800 customers, a 24-hour casual dining facility seating 575 customers and a high-energy restaurant with indoor and outdoor seating which will overlook the Strip and be located on the Casino level. This "al fresco" dining experience, one of the first on the Strip, will further distinguish the Aladdin from its competitors and will provide a lively attraction for pedestrians traversing the Strip. The mezzanine level, which will offer a panoramic view of the main casino floor, will feature a themed restaurant of 150 seats and a steakhouse of 150 seats, both of which will offer indoor and outdoor terrace dining. A Sushi/Chinese noodle shop with 50 seats and a casual dining/coffee bar will complete the food offerings on the mezzanine. There will also be a poolside restaurant with capacity to seat 150 people. To ensure consistent, high quality service throughout the Aladdin, the Company will own and operate all food service facilities in the Aladdin (other than the exclusive Salle Privee restaurant, which will be operated by London Clubs).

**THE SHOWROOM.** In keeping with the Aladdin's Arabian Nights theme, the Aladdin will include, on its mezzanine level, a 1,400-seat showroom which will provide nightly entertainment for Hotel, Casino and other guests. The showroom will feature a 1001 Arabian Nights-theme production show including elegant, exotic costuming, music, lighting and choreography.

**CONVENTION, MEETING AND RECEPTION FACILITIES.** The Aladdin is expected to include on the mezzanine floor of the main building over 70,000 square feet of convention, conference, trade show and reception facilities, including a 28,500 square foot main ballroom, 25,600 square feet of pre-function space and 17,400 square feet of breakout space in 16 separate rooms. These facilities will be made available for business and other conventions, trade shows, private receptions and conferences throughout the year. The Company believes that convention, meetings and special events customers will represent an important market for the Aladdin, helping the Hotel obtain consistently high occupancy rates and levels. See "-- Guest Mix--Conventions, Meetings and Special Events Customers."

**GUEST MIX.** The Hotel guest mix, in order of magnitude, is expected to include free and independent travelers, targeted casino customers (both complimentary and at casino rates), convention, meetings and special events customers, and tour and travel customers. Of these groups, all but one (convention, meeting and special events customers) generally have substantial leisure time to take advantage of the Complex's many attractions. According to the LVCVA, approximately 72% of the visitors to Las Vegas came to Las Vegas for vacation and pleasure in 1997.

The planned guest mix by category is as follows:

SEGMENT	MIX
<S>	<C>
Free and Independent Travelers.....	30%
Casino Customers.....	30%
Convention/Meeting.....	20%
Tour & Travel.....	20%

**FREE AND INDEPENDENT TRAVELERS.** Free and independent travelers will be the primary focus of the Complex with its array of resort services including luxurious rooms, swimming pool and spa, fine restaurants (both in the Hotel, Casino and the Desert Passage), extensive retail opportunities, and the multiple entertainment offerings of the Theater, the Aladdin/Arabian Nights production show and the Desert Passage. Free and independent travelers include persons who travel to Las Vegas from throughout the world who are not affiliated with a traveling group and make their reservations at the property of their choice. These travelers are characterized by travel budgets higher on average than the typical "tour group" traveler budget. They generally pay higher room rates, are predominantly weekend customers and have a relatively high non-gaming budget but still spend more money on gaming activities than the typical Las Vegas visitor. Management believes the Aladdin's emphasis on high-quality accommodation and an upscale integrated entertainment complex will broadly appeal to this market.

**CASINO CUSTOMERS.** Casino customers will be drawn from the upscale, international premium and upper-middle segments of the market. Utilizing both the resources of London Clubs and those internal to the Company, the Casino marketing network will cover Europe, the Middle East, the Pacific Rim, Mexico and Latin America, as well as the United States. The Company believes that the Aladdin's high levels of service, distinctive and private accommodations and the Salle Privee and its amenities will help differentiate it from its competitors. Where appropriate, management will offer complementary suites to high quality, repeat casino players and other premium players. In addition, the Casino will offer a range of popular gaming alternatives, designed to attract the upper-middle market guest.

CONVENTIONS, MEETINGS AND SPECIAL EVENTS CUSTOMERS. Conventions, meetings and special events customers are expected to fill the mid-week time periods when the demand by free and independent travelers is lower. Las Vegas is currently the largest trade show market and the fourth largest convention market in the United States, with Las Vegas hotels obtaining premium occupancy rates during large conventions. By utilizing the Aladdin's 70,000 square feet of convention and meeting space, the Aladdin will focus on groups that have both a good hotel and gaming revenue profile. Demand for convention and meeting room nights will be supplemented by convention guests being displaced from neighboring hotels.

TOUR AND TRAVEL CUSTOMERS. The tour and travel market consists of customers who utilize "packages" to reduce the cost of travel, lodging and entertainment. According to the IVCVA, approximately 28% of Las Vegas' visitors utilized such tour packages in 1997. These "packages" are produced by wholesalers and travel agents and emphasize mid-week stays in Las Vegas. Management believes that it will be able to capture a significant portion of this market segment by offering the extensive facilities (including non-gaming attractions and amenities) of the Complex to tour and travel visitors during off-peak periods. The tour and travel market will be utilized to fill rooms mid-week with nominal room blocks on the weekends when demand by free and independent travelers is at its peak. With the upper-middle and upscale focus of the Hotel, the Aladdin will focus on the higher-end tour and travel guest from both domestic and international tour operators.

THE CASINO. A highly-themed approximately 116,000 square foot casino will be at the center of the Complex. The Casino's main gaming area will contain approximately 2,800 slot machines, 87 table games, keno and a race and sports book facility. Included on a separate level of the Casino will be the luxurious 15,000 square foot Salle Privee, which is expected to contain an additional approximately 100 high limit slot machines and 20 to 30 high limit table games. The Salle Privee will cater to wealthy clientele and will be operated and marketed in conjunction with London Clubs, a prestigious, multi-national casino operator which caters to international premium players. The Casino will be located in front of the Hotel, and unlike many of the newer projects on the Strip, will provide easy access for pedestrians without requiring long walks into the Complex. The Casino will be the nexus for the vast majority of pedestrian traffic on the fully integrated Complex, including the Desert Passage, the Music Project and the Theater. The Casino's exterior will be designed in the style of a large Bedouin sheik's tent, helping to introduce the Aladdin theme to visitors even before they reach the Complex. On entering the Casino, patrons will be surrounded by the Aladdin theme through sculptured surroundings, rich fabrics, strategic lighting and music, evoking the mystery and luxury of the Legends of the 1001 Arabian Nights. At the center of the Casino will be "Scheherazade's Palace," a series of themed architectural elements of domes, arches, and 65 foot polished stone columns. The main level of Scheherazade's Palace will have a bar and live entertainment lounge overlooking the Casino and across to the Mezzanine level.

THE SALLE PRIVEE AND THE SALLE PRIVEE MANAGEMENT AGREEMENT. A distinctive feature of the Casino will be the Salle Privee, located on the mezzanine level which will be designed to cater to the needs of the international premium guest. The Salle Privee will contain 20 to 30 high limit table games including baccarat, double zero roulette, single zero roulette and blackjack, and approximately 100 high limit slot machines.

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The Company believes that the Aladdin's Salle Privee will be the first of its kind in the United States managed by a European operator and based on the European concept of a luxurious, full-service, gaming area for international and domestic premium players. The focus of the Salle Privee's business will be the wealthy clientele that form the core of London Clubs' business in London and elsewhere. The Company will maintain the Salle Privee's premium player atmosphere through more sophisticated dining options, higher table limits and more formal levels of service and dress.

The Company believes that the Salle Privee will prove to be a significant attraction for premium players to stay at the Hotel and play at the Casino. In order to take full advantage of this potential, the Company has entered into a consulting and marketing services agreement (the "Salle Privee Management Agreement") with London Clubs, one of the Controlling Stockholders, under which London Clubs will promote the Salle Privee, marketing this aspect of the Aladdin through its international network of premium casino customers. See "Certain Material Agreements -- Salle Privee Management Agreement."

With an equity market capitalization of over \$461 million as of May 29, 1998, London Clubs has extensive experience in the international marketing of casinos to premium players. London Clubs operates seven casinos in London, one in Cannes, France, three in Egypt and one in Lebanon. Each of London Clubs' casinos offer their own individual style, but with comparable internationally recognized standards of service. In recent years, London Clubs has embarked upon a period of expansion, acquiring the Park Tower Casino in London's Knightsbridge

in October 1995 and re-opening and managing the casino operations of the famous Casino du Liban in Lebanon in December 1996.

London Clubs maintains a strong presence in the United Kingdom (where it controls a leading share of the London casino market), Europe, Asia and the Middle East. Its international sporting sponsorships, including horse racing and motor racing, are widely recognized, particularly in the United Kingdom, Cyprus, Hong Kong, Dubai and Malaysia. In addition, London Clubs produces a print publication for its clientele utilizing its substantial database of premium customers which is a valuable means of direct communication with its clientele worldwide. Each issue features developments in London Clubs' clubs, lifestyle articles, member profiles and a popular social diary.

Under the Salle Privee Management Agreement, London Clubs will earn an incentive fee based on the operating performance of the Salle Privee. As a result of London Clubs' substantial network of casino players in the United Kingdom, Europe, Asia and the Middle East and management's own extensive network in North and South America and the Pacific Rim, the Company believes that the Salle Privee will provide the Aladdin with a significant competitive advantage over other hotels and casinos on the Las Vegas Strip in attracting customers from the profitable international premium player market. Through London Clubs' involvement in the promotion of the Salle Privee, its equity interest in Holdings and its commitment to the Aladdin (demonstrated in part by the Keep-Well Agreement and the Completion Guaranty), the Company also believes that the Aladdin's international profile and financial stability will be significantly strengthened.

#### THE MALL PROJECT

OVERVIEW. Located on the Complex adjacent to the Aladdin will be the Desert Passage, a shopping mall with approximately 522,000 square feet of retail space, and the approximately 4,800-space Carpark, each of which will be developed, owned and operated by Bazaar, a joint venture between Bazaar Holdings and THB, a wholly-owned subsidiary of TrizecHahn. TrizecHahn has extensive experience in developing retail properties, and prior to its recently announced sale of 20 regional shopping centers, TrizecHahn owned and managed 27 regional centers throughout the United States, comprising over 25 million square feet.

TrizecHahn is a wholly-owned subsidiary of TrizecHahn Corporation, one of the largest publicly traded real estate companies in North America, with an equity market capitalization of over \$3.4 billion as of April 2, 1998. Investors should note that TrizecHahn has announced that it is considering selling its

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operating portfolio of regional shopping centers and on April 6, 1998 announced the sale of 20 regional shopping centers for over \$2.5 billion. While TrizecHahn's announcement is limited to the sale of its current operating portfolio of regional shopping centers, there can be no assurance that TrizecHahn will not similarly decide to sell its interest in the Desert Passage. Accordingly, investors cannot be assured that TrizecHahn will own and operate the Desert Passage once it becomes operational, and as a result, pedestrian traffic to the Aladdin may decrease. See "Risk Factors--Completion of the Mall Project and the Music Project."

THE DESERT PASSAGE. The Desert Passage entertainment shopping mall will constitute a key aspect of the Complex, and, like the Aladdin, will be heavily themed on the Arabian Nights legends. With a strong presence and entrances on the Strip, the Desert Passage will wrap around the Casino and Hotel buildings and the Theater. The Desert Passage will consist of two stories of prime retail space in the area closest to the Strip, reducing to one-level in the areas near the rear of the Hotel, the Carpark and the Music Project. While the Desert Passage will be of a similar size to the successful Forum Shops at Caesars Palace, it will not be set back from the Strip, but will instead be located close to the Strip, allowing passing pedestrian traffic to gain easy access. Pedestrian visitors to the Aladdin entering from the Strip will be able to enter directly through the Casino or through the Desert Passage entrances and significant portions of the Desert Passage will flow directly into the Casino. It is expected that the Desert Passage will provide a steady source of pedestrians and Hotel guests to the Complex, many of whom it is expected will also want to visit the Casino or dine at the Hotel.

The Desert Passage will be designed to engage the customer in a highly themed shopping, entertainment and dining experience. Of the approximately 522,000 square feet of retail space within the mall, it is anticipated that approximately 25% will be devoted to high pedestrian traffic-generating food, beverage and entertainment experiences. The food service facilities located in the Desert Passage will consist predominantly of establishments which complement the dining alternatives in the Aladdin. A significant feature of the Desert Passage will be the themed area to be known as the "Lost City." The "Lost City" is expected to contain a re-creation of an ancient mystical mountain city and will house a variety of specialty shops and restaurants underneath a 10-story high ceiling.

CARPARK. As part of the Mall Project, Bazaar will develop an approximately 4,800-space carpark facility, to be located at the rear of the Complex, together with an additional approximately 350 surface level parking spaces. The Carpark will be accessible from Audrie Lane, the same street from which the Paris Casino public carpark will be accessed, and from the circular internal roadway on the Complex (accessible from Harmon Avenue and the Strip) which will provide direct vehicular access to the Hotel. The Carpark will be directly linked through the Desert Passage to the Hotel and Casino and the Music Project. Bazaar is considering retaining an independent management company to operate the Carpark.

The Carpark and related surface level parking areas will include certain car parking spaces to be used principally for valet parking. In addition, in connection with the development of the Aladdin, parking facilities for approximately 500 vehicles will be developed beneath the Hotel.

#### THE MUSIC PROJECT

THE MUSIC PROJECT HOTEL AND CASINO. The Music Project is the second stage of development to the Complex. The Music Project will involve the development of a second hotel and casino, with a music and entertainment theme, on the southeast edge of the Complex on the corner of Audrie Lane and Harmon Avenue. AMH and a subsidiary of Planet Hollywood have entered into the Music Project Memorandum of Understanding to own and operate the Music Project, subject to finalization of financing, with each joint venture partner holding a 50% interest (on a fully-diluted basis). See "Risk Factors--Completion of the Mall Project and the Music Project" and "Certain Material Agreements--Music Project Memorandum of Understanding."

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The Music Project is expected to include an approximately 1,000 room hotel, four restaurants, including a music-themed restaurant which will feature its own 1,000-person nightclub with regular live entertainment, a health spa and outdoor swimming pool, together with a 50,000 square foot casino. The Music Project will aim to expand the market by having a different theme and attracting a different market segment to the Aladdin. The Music Project is expected to appeal to the upper-middle market, attracting younger, affluent customers to the Complex through its music and entertainment-based theme. In order to enhance the Complex, the Music Project is intended to be integrated through walkways, bridges and the internal circular roadway with the Aladdin, the Desert Passage and the Carpark, providing yet another attraction on the Complex and contributing to its mixed-use nature.

Through a subsidiary, Planet Hollywood will be a 50% partner (on a fully diluted basis) in the Music Project. Planet Hollywood is a creator and worldwide developer of consumer brands, most notably "Planet Hollywood" and the "Official All Star Cafe," that capitalize on the appeal of the high-energy environment of movies, sports and other entertainment-based themes. As of December 31, 1997, there were 78 Planet Hollywood brand restaurants and nine Official All Star Cafes brand restaurants worldwide. Planet Hollywood has announced that it intends to position a brand of music-themed hotels and entertainment venues as its third major brand. A distinguishing feature of the Music Project is the anticipated active involvement of famous artists and celebrities, some of whom are expected to be stockholders of Planet Hollywood, participate in the marketing of Planet Hollywood's music-themed brand, perform at the Theater or make other personal appearances at the Music Project, and help to generate significant media attention and publicity. Brand recognition is expected to be further enhanced through the high visibility of Planet Hollywood's music brand's merchandise, such as jackets, T-shirts, sweatshirts and hats. The Company believes this exposure will enhance the Aladdin by providing immediate excitement and press coverage for the Complex. See "Risk Factors--Completion of the Mall Project and the Music Project."

It is currently anticipated that construction of the Music Project will commence during the second half of 1998. Neither the development of the Aladdin nor the Mall Project is contingent on the development of the Music Project.

THEATER OF THE PERFORMING ARTS. The Aladdin and the Desert Passage will be adjacent to the Theater, a 7,000-seat entertainment facility that will be accessible through the Casino. The Theater is an entertainment auditorium with high-quality sight lines and acoustics and, with its 15,000 square foot stage, is one of the few venues of its size and type in Nevada. As part of the development of the Complex, the Company intends to enter into a 69-year lease of the existing Theater for a nominal amount with Aladdin Music, which expects to carry out an approximately \$8 million renovation of the Theater, improving its decor, light and sound systems and other facilities. The renovation will also allow the Theater to be condensed into a smaller, approximately 2,000-seat auditorium for more intimate performances. The Company will retain certain rights to use the Theater for Company-promoted events at agreed commercial rates.

In the past the Theater has hosted major concert artists, championship boxing matches and Broadway shows and it is expected that the Theater will continue to be used to hold major concerts and theatrical performances. The renovation and integration of the Theater into the first class resort Complex is expected to provide another source of visitor traffic to the Complex.

THE LAS VEGAS MARKET

OVERVIEW. Las Vegas is one of the fastest growing entertainment markets in the country. Las Vegas hotel occupancy rates are among the highest of any major market in the United States. According to the LVCVA, the number of visitors traveling to Las Vegas has increased at a steady and significant rate for the last ten years from 16.2 million in 1987 to 30.4 million visitors in 1997, a compound annual growth rate of 6.5%. Aggregate expenditures by these visitors increased at a compound annual growth rate of 10.2% from \$8.6 billion in 1986 to approximately \$25 billion in 1997. Although the number of visitors to Las Vegas has increased, there has been a greater increase in the supply of hotel rooms. Such competition and increased

supply, with steady visitor counts, has affected and may continue to affect room prices, occupancy rates and profits. See "Risk Factors--Risk of Overcapacity; Competition and Planned Construction in Las Vegas."

EXPANDING HOTEL AND GAMING MARKET. Las Vegas has one of the strongest and most resilient hotel markets in the country and is the largest gaming market in the world. The number of hotel and motel rooms in Las Vegas has increased by 71.6% from 61,394 in 1988 to 105,347 in 1997. Major properties on the Strip opening over this time period include the Mirage, Excalibur, MGM Grand, Treasure Island, the Luxor, Monte Carlo and New York New York. In addition, a number of existing properties on the Strip embarked on expansions including Harrah's Las Vegas, Caesars Palace, Circus Circus and the Luxor. Despite this significant increase in the supply of rooms in Las Vegas, hotel occupancy rates exceeded on average 90.4% for the years 1990 to 1996, averaged 93.4% in 1996 and averaged 90.3% in 1997. By the end of 1999, it is estimated that approximately 20,000 additional hotel rooms will be opened on the Strip, including the Bellagio, the Venetian, Mandalay Bay and Paris resorts, all of which are currently under construction.

VISITOR STATISTICS

LAS VEGAS VISITOR VOLUME

A trend analysis of the Las Vegas visitor volume for the past ten years is presented in the following chart. The number of visitors to Las Vegas has grown by 77.1% since 1988.

<TABLE>  
<CAPTION>

YEAR	VISITOR VOLUME	PERCENTAGE CHANGE
1988	17,199,808	6.1%
1989	18,129,684	5.4%
1990	20,954,420	15.6%
1991	21,315,116	1.7%
1992	21,886,865	2.7%
1993	23,522,593	7.5%
1994	28,214,362	19.9%
1995	29,002,122	2.8%
1996	29,636,361	2.2%
1997	30,464,635	2.8%

</TABLE>

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

<TABLE>  
<CAPTION>  
MILLIONS

YEAR	MILLIONS
1988	17.2
1989	18.1
1990	21.0
1991	21.3
1992	21.9
1993	23.5
1994	28.2

1995	29.0
1996	29.6
1997	30.5

</TABLE>

SOURCE: Las Vegas Convention and Visitors Authority

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VISITOR STATISTICS

VISITOR DOLLAR CONTRIBUTION (INCLUDES GAMING REVENUES)

Tourists and conventioners spent approximately \$25.0 billion in the Las Vegas area during 1997. An analysis of the visitor dollar contribution since 1988 for Las Vegas is presented below.

<TABLE>

<CAPTION>

YEAR	VISITOR DOLLAR CONTRIBUTION	PERCENTAGE CHANGE
1988	\$ 10,039,448,236	16.7%
1989	11,912,941,021	18.7%
1990	14,320,745,600	20.2%
1991	14,326,553,719	0.0%
1992	14,686,644,065	2.5%
1993	15,127,266,781	3.0%
1994	19,163,212,044	26.7%
1995	20,686,800,160	8.0%
1996	22,533,257,750	8.9%
1997	24,952,188,808	10.7%

</TABLE>

PER VISIT EXPENDITURES EXCLUDING GAMING FOR 1997:

Trade show delegates: \$1,517      Convention/meeting delegates: \$963  
 Tourists: \$551

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

<TABLE>

<CAPTION>

BILLIONS

YEAR	EDGAR
1988	\$ 10.0
1989	\$ 11.9
1990	\$ 14.3
1991	\$ 14.3
1992	\$ 14.7
1993	\$ 15.1
1994	\$ 19.2
1995	\$ 20.7
1996	\$ 22.5
1997	\$ 25.0

</TABLE>

SOURCE: Las Vegas Convention and Visitors Authority

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ROOM INVENTORY

NUMBER OF HOTEL/MOTEL ROOMS

The total hotel/motel room inventory for Las Vegas increased by 43,953 rooms from 1988 to 1997. This represents a percentage increase of 71.6%. The inventory analysis follows.

<TABLE>

<CAPTION>

YEAR	NUMBER OF HOTEL/MOTEL ROOMS	PERCENTAGE CHANGE
1988	61,394	5.0%
1989	67,391	9.8%
1990	73,730	9.4%
1991	76,879	4.3%
1992	76,523	(0.5%)

1993	86,053	12.5%
1994	88,560	2.9%
1995	90,046	1.7%
1996	99,072	10.0%
1997	105,347	6.3%

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

<TABLE>  
<CAPTION>

1988	61,394
------	--------

<S> <C>

1989	67,391
1990	73,730
1991	76,879
1992	76,523
1993	86,053
1994	88,560
1995	90,046
1996	99,072
1997	105,347

</TABLE>

SOURCE: Las Vegas Convention and Visitors Authority

AIRPORT STATISTICS

TOTAL ENPLANED AND DEPLANED PASSENGERS

Since 1988, the total number of passengers enplaning and deplaning at McCarran International airport has increased by 87%.

<TABLE>  
<CAPTION>

YEAR	TOTAL ENPLANED/ DEPLANED PASSENGERS	PERCENTAGE CHANGE
-----	-----	-----
<S>	<C>	<C>
1988	16,231,199	4.2%
1989	17,106,948	5.4%
1990	19,089,684	11.6%
1991	20,171,557	5.7%
1992	20,912,585	3.7%
1993	22,492,156	7.6%
1994	26,850,486	19.4%
1995	28,027,239	4.4%
1996	30,459,965	8.7%
1997	30,305,822	(0.5%)

</TABLE>

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

<TABLE>  
<CAPTION>  
MILLIONS

<S>	<C>
1988	16.2
1989	17.1
1990	19.1
1991	20.2
1992	20.9
1993	22.5
1994	26.9
1995	28
1996	30.5
1997	30.3

</TABLE>

SOURCE: McCarran International Airport

AUTOMOBILE TRAFFIC

AVERAGE DAILY TRAFFIC (ALL FOUR DIRECTIONS COMBINED)

The Nevada Department of Transportation provides average daily traffic counts on the four principal highways servicing travelers to and from Las Vegas. The traffic counters are located on I-15 South (MEASURING SOUTHERN CALIFORNIA

TRAFFIC), I-15 North (MEASURING UTAH TRAFFIC), US 95 North (MEASURING TONOPAH, RENO TRAFFIC), and US 95 South (MEASURING ARIZONA TRAFFIC). The figures reported include both inbound and outbound traffic.

<TABLE>

<CAPTION>

YEAR	TOTAL VEHICLES	PERCENTAGE CHANGE
<S>	<C>	<C>
1988	41,234	7.4%
1989	45,222	9.7%
1990	48,607	7.5%
1991	50,150	3.2%
1992	51,411	2.5%
1993	53,467	4.0%
1994	56,875	6.4%
1995	58,917	3.6%
1996	59,777	1.5%
1997	63,261	5.8%

</TABLE>

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

<TABLE>

<CAPTION>

THOUSANDS

<S>	<C>
1988	41.2
1989	45.2
1990	48.6
1991	50.2
1992	51.4
1993	53.5
1994	56.0
1995	58.9
1996	59.8
1997	63.3

</TABLE>

SOURCE: Nevada Department of Transportation

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GAMING REVENUE

CLARK COUNTY GROSS GAMING REVENUE

A summary of the gross gaming revenue in Clark County for the period covering 1988 through 1997 is shown in the following table.

<TABLE>

<CAPTION>

YEAR	GROSS GAMING REVENUE	PERCENTAGE CHANGE
<S>	<C>	<C>
1988	3,136,901,000	12.5%
1989	3,430,851,000	9.4%
1990	4,104,001,000	19.6%
1991	4,152,407,000	1.2%
1992	4,381,710,000	5.5%
1993	4,727,424,000	7.9%
1994	5,430,651,000	14.9%
1995	5,717,567,000	5.3%
1996	5,783,735,000	1.2%
1997	6,152,415,000	6.4%

</TABLE>

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

<TABLE>

<CAPTION>

BILLIONS

<S>	<C>
1988	3.1
1989	3.4
1990	4.1
1991	4.2
1992	4.4
1993	4.7

1994	5.4
1995	5.7
1996	5.8
1997	6.2

</TABLE>

SOURCE: Nevada State Gaming Control Board

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Gaming has continued to be a strong and growing business in Las Vegas. According to the LVCVA, Clark County gaming revenues have increased at a compound annual rate of 7.3% from approximately \$2.8 billion in 1986 to approximately \$6.1 billion in 1997. As a result of the increased popularity of gaming, Las Vegas has sought to increase its popularity as an overall vacation resort destination. Management believes that the growth in the Las Vegas market has been enhanced as a result of a dedicated program by the LVCVA and major Las Vegas hotels to promote Las Vegas as a major vacation and convention site, the increased capacity of McCarran Airport and the introduction of large, themed destination resorts in Las Vegas. Notwithstanding, there has recently been volatility in stock prices of Las Vegas-based gaming companies. The Issuer believes this volatility is a result of a perceived saturation of the Las Vegas market and uncertainty arising from the Asian economic downturn and its effect on Asian gaming customers.

**GROWTH OF LAS VEGAS RETAIL SECTOR AND NON-GAMING REVENUE EXPENDITURES.** The Las Vegas market continues to evolve from its historical gaming focus to a broader entertainment offering. In addition to the traditional attractiveness of gaming, the market is continuing to expand to include retail, sporting activities, major concerts and other entertainment facilities. This diversification has contributed to the growth of the market and broadened the universe of individuals who would consider Las Vegas as a vacation destination. The more diversified entertainment offerings present significant growth opportunities.

An increasing number of destination resorts are developing non-gaming entertainment to complement their gaming activities in order to draw additional visitors. According to the LVCVA, while gaming revenues in Clark County have increased from approximately \$2.8 billion in 1986 to \$6.1 billion in 1997, the percentage of an average tourist's budget spent on gaming has declined from 32.6% in 1986 to 25.8% in 1996 with non-gaming tourist revenues increasing from \$5.8 billion in 1986 to \$16.7 billion in 1996. The newer large theme destination resorts have been designed to capitalize on this development by providing better quality sleeping rooms at higher rates and by providing expanded shopping, dining and entertainment opportunities to their patrons in addition to gaming.

**LAS VEGAS AS A CONVENTION CENTER ATTRACTION.** Las Vegas is one of the largest convention and trade show destinations in the country. In 1987, approximately 1.7 million persons attended conventions in Las Vegas providing approximately \$1.2 billion in non-gaming convention revenue. In 1997, the number of convention attendees increased to more than 3.5 million, providing \$4.4 billion in non-gaming convention revenue. Las Vegas offers convention and trade shows unique infrastructure for handling the world's largest shows, including a concentration of high-end hotel rooms located on the Strip, two convention centers with a total of over 2.3 million square feet of convention and exhibition space and unparalleled entertainment options. The proposed expansion of the Las Vegas Convention Center ("LVCC") and the planned construction of the Congress Center will further increase convention and exhibit space. Management believes that Las Vegas will continue to evolve as one of the country's preferred convention destinations.

**MCCARRAN AIRPORT EXPANSION.** During the past five years, the facilities of McCarran Airport, the tenth busiest airport in the United States, have been expanded to accommodate the increased number of airlines and passengers which it services. The number of passengers traveling through McCarran Airport has increased from approximately 15.6 million in 1987 to approximately 30.3 million in 1997, a compound annual growth rate of 6.7%. According to the LVCVA, in 1997 visitors to Las Vegas arrived by the following methods of transportation: 47% by air; 41% by auto; 6% by bus; and 5% by recreational vehicle. An approximately \$500 million expansion project at McCarran Airport is scheduled for completion in 1998. Long-term expansion plans for McCarran Airport provide for additional runways, three new satellite concourses, 65 additional gates, improved public transportation, roads and other infrastructure leading from McCarran Airport to the Strip and other facilities which would allow McCarran Airport to significantly increase visitor capacity. To the extent that McCarran Airport is not expanded in accordance with its plans, the occupancy rates and average daily hotel room rates in Las Vegas could be adversely affected due to the planned construction of new hotel rooms. During the first quarter of 1998, visitor

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counts at McCarran Airport were down 4.1% from the same period in 1997. Airline traffic is a significant contributor to the overall visitor volume to Las Vegas,

as approximately 44% of visitors arrive by air. A reduction in visitation to the market could result in lower average room rates, lower hotel occupancy percentages and reduced revenues for the Company.

STATISTICS ON THE LAS VEGAS GAMING INDUSTRY. The following table sets forth certain information derived from published reports of the LVCVA and the Nevada State Gaming Control Board concerning Las Vegas Strip gaming revenues and visitor volume and hotel data for the years 1986 to 1997. As shown in the table, the Las Vegas market has achieved significant growth in visitor volume and tourist revenues and favorably absorbed significant additional room capacity despite the occurrence of a series of adverse economic, regulatory and competitive events during the past decade such as the recession of the early 1990s, the expansion of gaming into new jurisdictions, the modification of existing regulations in other jurisdictions and the expansion of Native American gaming.

HISTORICAL DATA FOR LAS VEGAS GAMING INDUSTRY(1)

<TABLE>  
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	1987	1988	1989	1990	1991	1992	1993	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Las Vegas Visitor Volume.....	16,216,102	17,199,808	18,129,684	20,954,420	21,315,116	21,886,865	23,522,593	28,214,362
Percentage Change.....	6.7%	6.1%	5.4%	15.6%	1.7%	2.7%	7.5%	19.9%
Total Visitor								
Expenditures (2).....	\$8,602,966	\$10,039,448	\$11,912,941	\$14,320,746	\$14,326,554	\$14,686,644	\$15,127,267	\$19,163,212
Percentage Change.....	15.3%	16.7%	18.7%	20.2%	0.0%	2.5%	3.0%	26.7%
Las Vegas Convention								
Attendance.....	1,677,716	1,702,158	1,508,842	1,742,194	1,794,444	1,969,435	2,439,734	2,684,171
Percentage Change.....	10.4%	1.5%	(11.4)%	15.5%	3.0%	9.8%	23.9%	10.0%
Las Vegas Hotel Occupancy								
Rate.....	87.0%	89.3%	89.8%	89.1%	85.2%	88.8%	92.6%	92.6%
Las Vegas Hotel/Motel Room								
Supply.....	58,474	61,394	67,391	73,730	76,879	76,523	86,053	88,560
Percentage Change.....	3.5%	5.0%	9.8%	9.4%	4.3%	(0.5)%	12.5%	2.9%

<CAPTION>

	1995	1996	1997
<S>	<C>	<C>	<C>
Las Vegas Visitor Volume.....	29,002,122	29,636,631	30,464,635
Percentage Change.....	2.8%	2.2%	2.8%
Total Visitor			
Expenditures (2).....	20,686,800	22,533,258	24,952,189
Percentage Change.....	8.0%	8.9%	10.7%
Las Vegas Convention			
Attendance.....	2,924,879	3,305,507	3,519,424
Percentage Change.....	9.0%	13.0%	6.5%
Las Vegas Hotel Occupancy			
Rate.....	91.4%	93.4%	90.3%
Las Vegas Hotel/Motel Room			
Supply.....	90,046	99,072	105,347
Percentage Change.....	1.7%	10.0%	6.3%

</TABLE>

(1) Sources: LVCVA and Nevada State Gaming Control Board for the fiscal years ended December 31.

(2) In thousands.

CONSTRUCTION SCHEDULE AND BUDGET

The development of the Aladdin commenced during the first quarter of 1998. The original Aladdin hotel and casino closed for business on November 25, 1997 and the implosion of the original facility occurred on April 27, 1998. The development of the Mall Project is expected to commence during the second quarter of 1998, followed soon thereafter by the commencement of the development of the Music Project in the second half of 1998. The Company anticipates the cost of developing, financing, constructing and opening the Aladdin to be approximately \$790 million (excluding the Company's \$21.3 million planned indirect cash contribution and \$15.0 million appraised fair market value land contribution to Aladdin Music, as part of the development funds for the Music Project). Pursuant to the Design/Build Contract, the Design/Builder has committed itself to a 26 month work schedule to complete the Aladdin, subject to certain scope changes. An equitable adjustment in the Contract Date (as defined herein) and guaranteed maximum price will be made for changes that either increase or decrease the Design/Builders' time for performance and/or cost of construction. See "Certain Material Agreements--Design/Build Contract." The

Company believes that the construction budget is reasonable and the Design/Build Contract sets forth a procedure designed to ensure the timely completion of the Aladdin. However, given the risks inherent in the construction process, it is possible that construction costs could be significantly higher than budget and that delays could occur. If construction costs do exceed the amounts set forth in the construction budget, it is expected the potential sources to pay such excess include (a) the \$31.8 million Contingency; (b) London Clubs, the Trust and Bazaar Holdings pursuant to their obligations under the Bank Completion Guaranty; and (c) the Design/Builder, a subsidiary of Fluor, pursuant to its liability under the Design/Build Contract, which liability is guaranteed by Fluor pursuant to the Fluor Guaranty. As of May 31, 1998, the Company has expended \$1.7 million under the Contingency. See "Risk Factors--Risks of New Construction" and "--Risks Under Design/Build Contract and Fluor Guaranty" and "Certain Material Agreements."

The Mall Project is not being developed by the Company, but is being developed by Bazaar. The Mall Project is budgeted to cost approximately \$259.0 million, all of which amount will be paid by Bazaar. Upon completion of the Mall Financing, TrizecHahn, the Trust, Bazaar Holdings and AHL agreed to guarantee completion of the Mall Project and Bazaar's indebtedness to the Mall Lenders until certain earnings and loan to value targets have been met. See "Risk Factors--Risk of New Construction" and "---Completion of the Mall Project and the Music Project," "Use of Proceeds" and "Certain Material Agreements--Bazaar LLC Operating Agreement."

The Aladdin, together with the Mall Project, will be developed as the first phase of a planned two-phase redevelopment of the Complex. In the second phase, Aladdin Music will develop the Music Project which, like the Mall Project, will be financed independently and such financing will not be guaranteed by the Company. It is expected that upon the completion of the division of the Project Site into separate legal parcels, the Company will be required to transfer ownership of the land parcel upon which the Music Project will be built to Aladdin Music. The opening of the Music Project is expected to occur within six months after the opening of the Aladdin. See "Risk Factors--Completion of the Mall Project and the Music Project," "--Possible Conflicts of Interest" and "Certain Material Agreements--The Music Project Memorandum of Understanding."

The completion and full operation of the Aladdin is not contingent upon the subsequent financing or completion of the Mall Project or the Music Project. Investors should note that funding arrangements for the completion of the Music Project have not yet been finalized and funding under the Mall Financing is subject to certain conditions, and there can be no assurance that such funding arrangements for the Music Project will be finalized at any time or that the Mall Project or Music Project will be completed. See "Risk Factors--Completion of the Mall Project and the Music Project."

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#### DESIGN AND CONSTRUCTION TEAM

The Company has assembled what it believes to be a highly qualified team of specialists to design and construct the Aladdin.

**TISHMAN.** Tishman has been appointed as the construction manager for the Aladdin. Tishman is a privately-held construction firm. Tishman or its affiliates have built or renovated over 30,000 hotel rooms nationwide, including the 500-room, one million square foot Golden Nugget hotel and casino in Atlantic City, the 635-room, two million square foot Trump Castle Hotel and Casino in Atlantic City, the 400-room expansion of Harrah's Hotel and Casino in Atlantic City, the 2,300-room Walt Disney World Dolphin and Swan Hotel and convention complex, the 1,200-room Sheraton Chicago Hotel & Towers, the 800-room Hilton in Walt Disney World Village and the 600-room Westin Rio Mar Beach Resort & Country Club.

Entertainment projects built by Tishman include Caesars Magical Empire in Las Vegas, several Official All Star Cafes throughout the United States, the Goodwill Games '98 Aquatics Center, Pacific Park in California, restoration of the New Amsterdam Theater in New York and EPCOT Center in Orlando, Florida.

**FLUOR DANIEL.** Fluor Daniel, Inc. is the design/builder for the Aladdin. The Design/Builder is a subsidiary of Fluor, a Fortune 500 Company offering architectural, engineering, construction management, construction and maintenance services to projects around the world. The Design/Builder has been ranked the number one engineering and construction company in the United States based on total revenue by Engineering News-Record for nine of the last ten years. In October 1997, the Design/Builder was recognized by Fortune as the most admired public engineering firm in the world. The Design/Builder has entered into a guaranteed maximum price Design/Build Contract (subject to scope changes) with the Company to design and construct the Aladdin. The Design/Build Contract provides the Design/Builder with incentives for completing the Aladdin ahead of

schedule and within budget and for payment of liquidated damages to the Company for certain delays. The Design/Build Contract is guaranteed by Fluor, the parent of the Design/Builder, pursuant to the Fluor Guaranty. See "Certain Material Agreements-- Design/Build Contract." On May 29, 1998, Fluor had an equity market capitalization of over \$3.9 billion.

ADP/FD OF NEVADA, INC. ADP, an indirect subsidiary of Fluor, will be the Complex architect. ADP is wholly-owned by ADP Marshall, Inc. ("ADP Marshall"). ADP Marshall, which is based in Phoenix, Arizona, is well-known for its architecture work and mixed-use projects. Such projects include resorts, hotels, timeshare/vacation ownership, gaming, mixed-use/planning, recreational (golf clubs, spas, tennis centers, etc.) and specialty entertainment/retail/restaurant projects. Among ADP Marshall's many award-winning efforts are Five Star ranked properties. Its client list includes Princess Hotels, Inc. (Scottsdale and Acapulco), Carefree Resorts (The Boulders, The Peaks, Carmel Valley Ranch) and PGA Family Golf Center (Scottsdale).

ADP's philosophy is that design and systems efficiency must support the operations of a project, especially where the client has a long-term involvement in the completed development. The firm aims to establish strong client relationships by thoroughly understanding its clients' needs, the intricacies of their operations and their development, financial and market specific goals.

TRIZECHAHN. THB, a wholly-owned subsidiary of TrizecHahn, is the joint venture partner of Bazaar Holdings in the Mall Project. Prior to its recently announced sale of 20 regional shopping centers, TrizecHahn owned and managed 27 regional centers in major markets throughout the United States, comprising over 25 million square feet and was one of the largest owners, developers and managers of regional shopping centers in the United States. Investors should note that TrizecHahn has announced that it is considering selling its entire operating portfolio of regional shopping centers and on April 6, 1998 announced the sale of 20 regional shopping centers for over \$2.5 billion. While TrizecHahn's announcement is limited to the sale of its current operating portfolio of regional shopping centers, there can be no assurance that TrizecHahn will not similarly decide to sell its interest in the Desert Passage. Accordingly,

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investors cannot be assured that TrizecHahn will own and operate the Desert Passage once it becomes operational, and as a result, pedestrian traffic to the Aladdin may decrease. See "Risk Factors-- Completion of the Mall Project and the Music Project."

BBGM. The interior designer for the project, BBGM, specializes in hospitality design and has experience in casinos, restaurants, retail, spa/fitness centers and specialty/theme projects. BBGM's experience includes the recently renovated and expanded Caesars Atlantic City hotel, casino, restaurants and public space. Other projects have included the Mohegan Sun Casino in Connecticut and TropWorld in Atlantic City. BBGM's hotel projects have included the St. Regis, The Plaza and the Sheraton Hotel & Towers located in New York City.

THE ENERGY PROVIDER. The Energy Provider, a wholly-owned subsidiary of UTH, will be the energy provider for certain parts of the Complex, including the Aladdin. The predecessor to UTH was founded in July 1993 as a subsidiary of Unicom to develop district energy projects. Unicom is listed on the New York Stock Exchange. Unicom is also the parent of Commonwealth Edison Company, one of the largest electric utilities in the United States. Since 1993, UTH has developed the largest district cooling system in the world, located in Chicago, Illinois, and is a partner in energy ventures in Boston, Houston and Windsor, Ontario.

#### OPERATIONAL FACILITIES

The Complex has been designed to include certain operational facilities and advantages which will assist the Company in providing a high level of service to guests.

SERVICE FACILITIES. The north side of the Complex will border on a service road, which will include service elevators, loading docks, receiving and purchasing facilities and storage areas. These service facilities will be located near the majority of the Complex's restaurants and food service areas, which will be the principal users of such facilities.

ELEVATOR BANKS. The Hotel will be designed so that elevator banks are located at strategic locations, enabling Hotel guests and employees to access the Hotel guest areas easily. Within the Hotel, special waiter elevators will provide waiters with direct access from Hotel kitchens to rooms and suites, allowing guests to receive full room service on a timely basis.

ENERGY. The Complex, once fully constructed, will require substantial amounts of electricity, hot and cold water and heating and cooling. For this purpose, the Company has entered into certain agreements with the Energy Provider for the supply of electricity and heating and cooling to certain parts of the Complex. The Energy Provider has agreed to provide the Aladdin with all its electricity, heating and cooling needs, as specified by the Company, from the date of completion of the Aladdin. Pursuant to the Development Agreement, in order to supply the Aladdin's energy requirements, the Energy Provider has agreed to construct and operate, at its own cost, a thermal energy plant (the "Plant") on an approximately 0.64 acre portion of the Complex (the "Plant Site"). The Energy Provider's obligations under the Development Agreement are guaranteed up to \$30.0 million by the Energy Provider's ultimate parent, Unicom, one of the largest electric utility companies in the United States. See "Certain Material Agreements--Development Agreement," "--Unicom Guaranty" and "--Energy Service Agreement."

The Music Project will also use electricity, hot and cold water and heating and cooling supplied by the Energy Provider. TrizecHahn will utilize the Plant for the provision of electricity and cold water for the Mall Project.

SECURITY. The Aladdin will include state-of-the-art security systems, including internally operated camera surveillance systems for the Casino. The Company will employ extensive supervision and accounting procedures to control the handling of cash in the Casino. These measures will include security personnel, closed-circuit television for observation of critical areas of the casino, locked cash boxes,

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independent auditors and observers, strict sign-in and sign-out procedures which ensure, to the extent practicable, that gaming chips issued by and returned to the Casino cashiers' cages are accurately accounted for, and procedures for the regular observation of gaming employees.

#### EMPLOYEES

The Company anticipates that immediately prior to completion of the Aladdin, it will employ approximately 3,600 employees in connection with the Aladdin. The Company will be required to undertake a major recruiting and training program prior to the opening of the Aladdin at a time when other major new facilities may be approaching completion and also recruiting employees. The Company believes it will be able to attract and retain a sufficient number of qualified individuals to operate the Aladdin. However, there can be no assurance that it will be able to do so. Furthermore, the Company does not know whether or to what extent such employees will be covered by collective bargaining agreements, as that determination will be ultimately made by such employees.

#### SERVICE MARKS

On the Issue Date, AHL transferred to the Company four federally registered service marks involving the word "Aladdin" and used in connection with the provision of casino and casino entertainment services and hotel and restaurant services (the "Marks"). Two of the Marks were registered on July 13, 1993, a third on July 29, 1993 and the fourth on August 24, 1993. A statement of continuing use with respect to each of the Marks must be filed with the United States Patent and Trademark Office (the "PTO") between the fifth and sixth anniversary of the date such Mark was registered in order to maintain the effectiveness of the registration with respect to such Mark. Although the Company will not be using the Marks during the period of the Aladdin's construction, the Company does not expect that this will adversely affect the registration of the Marks, provided that the reason for the non-use of the Marks is explained to the PTO at the time the statement of continuing use is filed. Each of the registrations for the Marks has a duration of ten years and, unless renewed, will expire on the tenth anniversary of such Mark's date of registration. The Company has recorded its ownership of the Marks with the PTO. A lien on the Marks was granted to the Bank Lenders on the Issue Date. See "Description of Certain Indebtedness and Other Obligations--Bank Credit Facility."

#### INSURANCE

Prior to the commencement of operation of the Aladdin, the Company intends to obtain the types and amounts of insurance coverage that it considers appropriate for a company in its business. While management intends to ensure that the Company's insurance coverage will be adequate, if the Company were held liable for amounts exceeding the limits of its insurance coverage or for claims outside of the scope of its insurance coverage, the Company's business and results of operations could be materially and adversely affected.

With respect to the construction of the Aladdin, the Company and the Design/Builder have elected to implement a controlled insurance program (the "CIP") whereby the Design/Builder will provide General Liability, Workers' Compensation, Excess Liability, Contractual Liability, Builders Risk and Transit

coverages for the Design/Builder and all subcontractors. The Company will pay the Design/Builder for all premiums and costs associated with the CIP. Where necessary, the Company will be named as a named insured or as an additional insured on each policy procured by the Design/Builder pursuant to the CIP. In addition, in lieu of procuring a liquidated damages insurance policy or a business interruption insurance policy to compensate for late completion of the Aladdin, the Company has paid the Design/Builder \$2.0 million as a bonus advance. The Design/Builder may elect to purchase liquidated damages insurance or it may elect to self-insure. In either event, the Design/Builder is entitled to keep the bonus advance if the Aladdin is finished on or before the date set for Substantial Completion (as defined herein) (the "Contract Date"). As a further bonus, the Design/Builder will receive \$100,000 for each day, up to but not

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to exceed 90 days, that the Aladdin is substantially completed in advance of the Contract Date. If the Aladdin is not substantially completed by the Contract Date, the Design/Builder must pay back the advance bonus plus \$100,000 per day commencing on the first day following the Contract Date and continuing up to 90 days thereafter. See "Certain Material Agreements--Design/Build Contract."

#### LITIGATION

The Company and the Aladdin Parties are not currently party to any pending claim or legal action. However, Mr. Jack Sommer, who is the Chairman of the Holdings Board and the Company Board (each as defined herein), a director of Holdings, Capital, the Company and the Issuer, and a trustee of the Trust, and the other trustees of the Trust are currently co-defendants in a legal action relating to the original Aladdin hotel and casino. See "Controlling Stockholders--Trust Litigation."

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#### REGULATION AND LICENSING

The ownership and operation of casino gaming facilities in the State of Nevada are subject to: (i) the Nevada Gaming Control Act and the regulations promulgated thereunder (collectively, the "Nevada Act"); and (ii) various local regulations. The operation of the Casino by the Company will be subject to the licensing and regulatory control of the Nevada Gaming Commission (the "Nevada Commission"), the Nevada State Gaming Control Board (the "Nevada Board"), and the Clark County Liquor and Gaming Licensing Board (the "CCLGLB"). The Nevada Commission, the Nevada Board, and the CCLGLB are collectively referred to as the "Nevada Gaming Authorities."

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

As operator and manager of the Aladdin, the Company will conduct nonrestricted gaming operations at the Casino and so will be required to be licensed by the Nevada Gaming Authorities. A nonrestricted gaming license permits the holder to operate sixteen or more slot machines, or any number of slot machines with at least one table game. The gaming license will require the periodic payment of fees and will not be transferable. No person will be able to become a member of, or receive any percentage of the profits of, the Company without first obtaining Gaming Approvals. In connection with licensing of the Company, Holdings will be required to be registered and found suitable as a holding company of the Company and to be licensed as a member of the Company. In connection with the registration and licensing of Holdings as a holding company and a member, each direct and indirect owner of Holdings, including, but not limited to, the Issuer, London Clubs, LCNI, London Clubs Holdings Ltd. (a wholly owned subsidiary of London Clubs and the holding company for LCNI) AHL, the Trust, Sommer Enterprises, GAI and their respective owners (all such parties collectively, the "Aladdin Owners") will be required to obtain from the Nevada Gaming Authorities applicable Gaming Approvals. Capital will also be subject to being called forward for a finding of suitability as a co-issuer of the Notes and the New Notes in the discretion of the Nevada Gaming Authorities.

Upon the effectiveness of the Exchange Offer, Holdings will be a "publicly

traded corporation" as that term is defined in the Nevada Act. If the Company becomes an IPO Entity, it will also become a "publicly traded corporation" as that term is defined in the Nevada Act. In order for a company that is a publicly traded corporation to receive a gaming license, the Nevada Commission must exempt the company from a regulatory provision in the Nevada Act which makes publicly traded corporations ineligible to apply for or hold a gaming license. However, the Nevada Commission has exempted companies from this provision in the past and has granted gaming licenses to publicly traded corporations. If the Company becomes an IPO Entity, the Company intends to apply for an exemption from this eligibility requirement (the "Exemption") in connection with its application for a gaming license. In connection with licensing and receipt of the Exemption, the Issuer Holdings, London Clubs and the Company will each also be required to be registered by the Nevada Commission as a publicly traded corporation (a "Registered Company"). The following regulatory requirements will be applicable to the Company, Holdings and the Aladdin Owners upon their receipt of all necessary Gaming Approvals from the Nevada Gaming Authorities. The Company, Holdings and the Aladdin Owners have not yet obtained from the Nevada Gaming Authorities the Gaming Approvals required in order for the Company to conduct gaming operations at the Aladdin

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and there can be no assurances given that such Gaming Approvals will be obtained, or that they will be obtained on a timely basis. There can also be no assurances that the Company's officers, managers and key employees will obtain Gaming Approvals from the Nevada Gaming Authorities.

As a Registered Company and Company Licensee, the Company will be required to periodically submit detailed financial information and operating reports to the Nevada Commission and furnish any other information that the Nevada Commission may require. No person may become a member of, or receive any percentage of profits from a Company Licensee without first obtaining licenses and approvals from the Nevada Gaming Authorities.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, the Company, Holdings and the Aladdin Owners to determine whether such individual is suitable or should be licensed as a business associate of a Company Licensee. Officers, managers and certain key employees of the Company and Holdings must file applications with the Nevada Gaming Authorities and will be required to be licensed by the Nevada Gaming Authorities in connection with the Company's application. The Nevada Gaming Authorities may deny an application for licensing or a finding of suitability for any cause they deem reasonable. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation. The applicant for licensing or a finding of suitability, or the gaming licensee by whom the applicant is employed or for whom the applicant serves, must pay all the costs of the investigation. Changes in licensed positions must be reported to the Nevada Gaming Authorities, and in addition to their authority to deny an application for a finding of suitability or licensure, the Nevada Gaming Authorities have jurisdiction to disapprove a change in a company position.

If the Nevada Gaming Authorities were to find an officer, manager or key employee of the Company or Holdings unsuitable for licensing or to continue having a relationship with the Company or Holdings, the Company or Holdings, as the case may be, would have to sever all relationships with such person. In addition, the Nevada Commission may require the Company or Holdings, as the case may be, to terminate the employment of any person who refuses to file appropriate applications. Determinations of suitability or of questions pertaining to licensing are not subject to judicial review in Nevada.

The Company will be required to submit detailed financial and operating reports to the Nevada Commission. Substantially all material loans, leases, sales of securities and similar financing transactions by the Company will be required to be reported to or approved by the Nevada Commission.

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

Any beneficial holder of a Registered Company's voting or non-voting securities (including warrants exercisable into such securities), regardless of

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

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

Any person who fails or refuses to apply for a finding of suitability or a license within thirty days after being ordered to do so by the Nevada Commission or the Chairman of the Nevada Board, may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any stockholder or beneficial owner found unsuitable and who holds, directly or indirectly, any beneficial ownership of the common stock or other equity securities of a Registered Company beyond such period of time as may be prescribed by the Nevada Commission may be guilty of a criminal offense. The Registered Company is subject to disciplinary action if, after it receives notice that a person is unsuitable to be a stockholder or to have any other relationship with the Company, the Registered Company (i) pays that person any dividend, distribution or interest upon voting securities of the Registered Company, (ii) allows that person to exercise, directly or indirectly, any voting right conferred through securities held by that person, (iii) pays remuneration in any form to that person for services rendered or otherwise, or (iv) fails to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities including, if necessary, the immediate purchase of said voting securities for cash at fair market value. The holders of the Warrants and the Warrant Shares will be subject to being called forward for a finding of suitability in the discretion of the Nevada Commission.

The Company will be required to maintain a current members' ledger in Nevada that may be examined by the Nevada Gaming Authorities at any time. The Nevada Commission has the power to require that their respective members' certificates bear a legend indicating that such securities are subject to the Nevada Act. It is unknown at this time whether the Nevada Commission will impose this requirement on the Company.

After becoming a Registered Company, the Issuer, London Clubs, the Company and Holdings may not make a public offering of any securities (including, but not limited to, the Common Stock of the Issuer upon the exercise of the Warrants) without the prior approval of the Nevada Commission if the securities or the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes. Such approval, if given, does not constitute a finding, recommendation or approval by the Nevada Commission or the Nevada Board as to

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the accuracy or adequacy of the prospectus or the investment merits of the securities. Any representation to the contrary is unlawful.

The regulations of the Nevada Board and the Nevada Commission also provide that any entity which is not an "affiliated company," as such term is defined in the Nevada Act, or which is not otherwise subject to the provisions of the Nevada Act or such regulations, such as the Issuer, which plans to make a public offering of securities intending to use such securities, or the proceeds from the sale thereof for the construction or operation of gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes, may apply to the Nevada Commission for prior approval of such offering. The Nevada Commission may find an applicant unsuitable based solely on the fact that it did not submit such an application, unless upon a written request for a ruling, the Nevada Board Chairman has ruled that it is not necessary to submit an application. The sale of securities pursuant to the Warrant Shelf Registration Statement (the "Warrant Public Offering") will qualify as a public offering. The Issuer has filed a written request (the "Ruling Request") with the Nevada Board Chairman for a ruling that it is not necessary to submit the Warrant Public Offering for prior approval. No assurance can be given that the Ruling Request will be granted or that it will be considered on a timely basis. If the Nevada Board Chairman rules that approval of the Warrant Public Offering is required, the Issuer will file an application for such approval. If the Ruling Request is not granted, the Warrant Public Offering could be significantly delayed while the Issuer seeks approval of the Nevada Board and the Nevada Commission for the Warrant Public Offering. No assurance can be given that approval of the Warrant Public Offering, if required, will be granted. If Holdings or the Company shall become an IPO Entity prior to receiving its Gaming Approvals, they intend to file a Ruling Request with the Nevada Board Chairman for a ruling that it is not necessary to submit the Qualified Public Offering for prior approval. No assurance can be given that such a Ruling Request will be granted or that it will be considered on a timely basis. If the Nevada Board Chairman rules that approval of the Qualified Public Offering is required, the Company or Holdings, as applicable, will file an application for such approval. If the Ruling Request is not granted, the Qualified Public Offering could be significantly delayed while the Company or Holdings seeks approval of the Nevada Board and the Nevada Commission for the Qualified Public Offering. No assurance can be given that approval of the Qualified Public Offering, if required, will be granted.

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

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

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made directly to the Registered Company's stockholders or interest holders for the purposes of acquiring of the Registered Company.

License fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Nevada and to Clark County, Nevada. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually and are based upon either: (i) a percentage of the gross revenues received; (ii) the number of gaming devices operated; or (iii) the number of table games operated. A casino entertainment tax also will also be paid by the Company where certain entertainment is provided in a cabaret, nightclub, cocktail lounge or casino showroom in connection with admissions and the serving or selling of food, refreshments or merchandise.

Any person who is licensed, required to be licensed, registered, required to be registered, or is under common control with such persons (collectively, "Licensees"), and who proposes to become involved in a gaming venture outside of Nevada, is required to deposit with the Nevada Board and thereafter maintain, a

revolving fund in the amount of \$10,000 to pay the expenses of investigation by the Nevada Board of their participation in such foreign gaming. The revolving fund is subject to increase or decrease at the discretion of the Nevada Commission. Thereafter, Licensees are also required to comply with certain reporting requirements imposed by the Nevada Act. Licensees are also subject to disciplinary action by the Nevada Commission if they knowingly violate any laws of the foreign jurisdiction pertaining to the foreign gaming operation, fail to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations, engage in activities or enter into associations that are harmful to the State of Nevada or its ability to collect gaming taxes and fees, or employ, contract with or associate with a person in the foreign operation who has been denied a license or a finding of suitability in Nevada on the ground of personal unsuitability.

The sale of alcoholic beverages by the Company on the premises of the Aladdin is also subject to licensing, control and regulation by the CCLGLB. All licenses are revocable and are not transferable. The CCLGLB have full power to limit, condition, suspend or revoke any such license, and any such disciplinary action could (and revocation would) have a material adverse effect on the financial position and results of operations of the Company and the Aladdin Parties.

MANAGEMENT

The following table sets forth the executive officers and the directors of the Company, which will own, develop and operate the Aladdin, and of the Issuer, Holdings and Capital. A "director" of the Company or Holdings, as such term is used in this Prospectus, shall refer to a person who sits on the Board of Managers of the Company (the "Company Board") or Holdings (the "Holdings Board").

<TABLE>	<CAPTION>	NAME	AGE	POSITION
<S>	<C>	<C>		
Jack Sommer.....	51	Chairman of the Company Board and the Holdings Board; Director of the Issuer and Capital; President of the Issuer		
Richard J. Goeglein.....	64	Chief Executive Officer and President of the Company, Holdings and Capital; Director of the Company, Holdings and Capital		
Ronald Dictrow.....	54	Executive Vice President/Secretary and Director of the Company, Holdings and Capital; Director and Secretary of the Issuer		
Alan Goodenough.....	54	Director of the Company, Holdings and Capital		
G. Barry C. Hardy.....	50	Director of the Company, Holdings and Capital		
James H. McKennon.....	44	Senior Vice President of the Company, Holdings and Capital; President/Chief Operating Officer of the Aladdin Hotel and Casino		
Cornelius T. Klerk.....	44	Senior Vice President/Chief Financial Officer/ Treasurer of the Company, Holdings and Capital; Treasurer of the Issuer		
Lee A. Galati.....	55	Senior Vice President/Human Resources of the Company, Holdings and Capital		
Jose A. Rueda.....	61	Senior Vice President/Electronic Gaming of the Company, Holdings and Capital		
David Attaway.....	43	Senior Vice President of the Company, Holdings and Capital; President and Chief Operating Officer of the Music Project		
Patricia Becker.....	46	Senior Vice President/General Counsel of the Company, Holdings and Capital		

JACK SOMMER is the Chairman of the Holdings Board and the Company Board, director of the Issuer and Capital and President of the Issuer. Mr. Sommer has been a full time resident of Las Vegas since 1988. Mr. Sommer is both a trustee and contingent beneficiary of the Trust. He has over 25 years of experience in developing residential and commercial real estate, including luxury residential projects such as North Shore Towers, in Queens County, New York, and The Sovereign at 425 East 58th Street in Manhattan. The Sommer family has been in the real estate development business for over 100 years, operating for part of that time as Sommer Properties ("Sommer Properties") founded by Mr. Sommer's

father (who passed away in 1979), and which is controlled by Mr. Sommer and his mother, Mrs. Viola Sommer. Other well known developments of Sommer Properties have included 280 Park Avenue, Manhattan, an 820,000 square foot office building in Manhattan formerly owned and currently partially occupied by the Bankers Trust Company; 135 West 50th Street, Manhattan, an 800,000 square foot office building also known as the AMA Building; and 600 Third Avenue, Manhattan, a 500,000 square foot office building. Sommer Properties has also developed over 35,000 single family homes, primarily in New Jersey.

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RICHARD J. GOEGLEIN is Chief Executive Officer and a director of the Company, Holdings and Capital. Mr. Goeglein has spent over 28 years in the hotel/casino and food service industry. He was an Executive Vice President and a member of the Board of Directors of Holiday Inns and Holiday Corp. from 1978 through 1987 and led the management team that consummated the 1980 acquisition of Harrah's Hotels and Casinos ("Harrah's") for Holiday Inns. Mr. Goeglein subsequently served as President and Chief Executive Officer of Harrah's from 1980 to the Fall of 1984 and as President and Chief Operating Officer of Holiday Corp. (the parent company of Holiday Inns, Harrah's, Hampton Inns and Embassy Suites) from October 1984 through 1987. From 1988 to 1992, Mr. Goeglein participated in several corporate turnarounds in the technology and consumer services fields. In 1992, Mr. Goeglein formed Gaming Associates, Inc. ("Gaming Associates") to take management control of Dunes Hotel and Casino in Las Vegas and to prepare a plan of closure for and carry out the closure of the property. He remains a principal of that company. Gaming Associates provided consulting services to the lodging and gaming industries. Mr. Goeglein recently served as a member of the Gaming Oversight Committee of Marriott Corporation ("Marriott") and through Gaming Associates, provided consulting services to Marriott's gaming operations situated outside of the United States through December 1997. Mr. Goeglein is also a director of Hollywood Park, Inc.

RONALD DICTROW is Executive Vice President/Secretary and a director of the Company, Holdings and Capital and a director and Secretary of the Issuer. Mr. Dictrow spent the first 12 years of his professional career as a CPA with the New York accounting firm of David Berdon & Company and has a master's degree in accounting and taxation. In 1979, he was hired by Sigmund Sommer as Controller with financial responsibility for all of Mr. Sommer's properties. In 1984, Mr. Dictrow became Treasurer and Chief Financial Officer of the Trust with the additional responsibility for the operations and management of these properties. Mr. Dictrow is an advisor and consultant to Mrs. Viola Sommer and has been an officer and director of Sovereign Apartments, Inc., a New York City cooperative apartment building since 1979. Mr. Dictrow has had business dealings with the Sommer family for over 20 years.

ALAN GOODENOUGH is a director of the Company, Holdings and Capital. Mr. Goodenough, who is chief executive officer of London Clubs, has over 30 years of experience in the leisure and gaming industry, having worked as a public company director and at other senior levels with several major public leisure and casino companies in the United Kingdom. In 1990 Mr. Goodenough founded Lyric Hotels Limited, a United Kingdom hotel company, raising over \$40 million from United Kingdom-based institutions. He remains Chairman of the Lyric Group which currently operates three and four star hotels throughout England. As chief executive officer of London Clubs, Mr. Goodenough was instrumental in that company's initial public offering on the London Stock Exchange in June 1994. Mr. Goodenough is also presently a fellow of the United Kingdom Hotel and Catering Institute and a member of the Institute of Directors of England and Wales.

G. BARRY C. HARDY is a director of the Company, Holdings and Capital. Mr. Hardy has served as Finance Director of London Clubs since 1989. Before joining London Clubs, Mr. Hardy had extensive business experience in the leisure and gaming industries. Such experience included executive level positions with Pleasurama, plc where he held the offices of Development Director, Group Finance Director and Company Secretary. In addition, Mr. Hardy was actively involved in the development of Pleasurama's leisure and casino interests. In 1988, after the acquisition of Pleasurama by Mecca Leisure Ltd., Mr. Hardy was appointed to Mecca's Board as Managing Director of its casino division.

JAMES H. MCKENNON is Senior Vice President of the Company, Holdings and Capital and President/ Chief Operating Officer of the Aladdin Hotel and Casino. Mr. McKennon's career spans over 21 years in the hotel and casino industry in a variety of executive positions. He was President and Chief Operating Officer of Caesars World International Marketing (the casino marketing division of Caesars World) from 1994 to 1996 and served as the President and Chief Operating Officer of Caesars Tahoe from 1991 to 1994. Mr. McKennon first joined Caesars as the Senior Vice President-Hotel Operations for Caesars Palace in

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Las Vegas, a position he held until his promotion in 1991. From 1976 to 1988 he held a variety of managerial positions at both the property and corporate level for Westin Hotels.

CORNELIUS T. KLERK is the Senior Vice President/Chief Financial Officer of the Company, Holdings and Capital and Treasurer of the Issuer. He has over 19 years of experience in the hotel and casino industry both at the corporate and property level. From 1993 to 1997 Mr. Klerk was Vice President--Finance for Hilton Gaming Division (the gaming division of Hilton Hotels Corporation ("Hilton")). In that position he was responsible for the financial oversight of all gaming properties owned and operated by Hilton. He was employed by Harrah's from 1979 to 1985 and again from 1989 to 1993 in a variety of financial management positions ranging from Casino Controller for Harrah's Atlantic City to Vice President, Finance--Southern Nevada. From 1985 to 1987, Mr. Klerk was Vice President of Gilpin, Peyton and Pierce, a regional advertising agency and from 1987 to 1989, he was Corporate Controller for Forte Hotels International in San Diego, California. Mr. Klerk was previously a CPA with the accounting firm of Price Waterhouse.

LEE A. GALATI is the Senior Vice President/Human Resources of the Company, Holdings and Capital. Mr. Galati has 22 years of human resources experience in a variety of industries in both the public and private sectors. He was most recently the Director of Human Resources for Sky Ute Casino in Durango, Colorado from 1996 to 1997. Mr. Galati served as the Director of Human Resources for La Plata County, Colorado from 1993 to 1995. From 1990 to 1993, Mr. Galati served as an adjunct professor in the School of Business at Fort Lewis College in Durango, Colorado. His experience also includes serving as Director of Operations Support Services and Human Resources for Northern Telecom in San Diego from 1984 to 1990 as well as Director of Human Resources for Beckman Instruments in Fullerton, California from 1980 to 1984. Mr. Galati earned a Masters in Human Resources and Organization Development from the University of San Francisco in 1984.

JOSE A. RUEDA is the Senior Vice President of Electronic Gaming for the Company, Holdings and Capital. Mr. Rueda's 28 years experience in the gaming industry includes gaming operations as well as the sale and distribution of gaming equipment. He was the Vice President, North East Region of Mikohn Gaming Corporation from 1995 to 1997. Mikohn is a leading supplier of gaming equipment to the casino industry. Prior to joining Mikohn, Mr. Rueda was with Harrah's for 24 years in a variety of management positions that included Director of Slot Operations, Harrah's Atlantic City, from 1986 to 1994; Vice President of Gaming/Slots, Harrah's Corporate from 1984 to 1986; Vice President of Operations, Harrah's at Trump Plaza from 1983 to 1984 and Vice President of Gaming, Harrah's Corporate from 1980 to 1983. Mr. Rueda has extensive experience in property research and development along with creative product positioning. He holds a business management degree from the University of Nevada at Reno.

DAVID ATTAWAY is the Senior Vice President of the Company, Holdings and Capital and President and Chief Operating Officer of the Music Project. Mr. Attaway has 17 years experience in the entertainment, hotel and casino industry in a variety of executive positions. He joined Caesars Tahoe in 1986 and held the following positions during his 12 year tenure: Senior Vice President and General Manager from 1996 to 1998; Senior Vice President of Casino Operations and Marketing, 1996 and Senior Vice President of Marketing, 1992 to 1996. Prior to joining Caesars Tahoe, Mr. Attaway was the Director of Marketing and Finance for Lawlor Event Center in Reno, Nevada from 1983 to 1985. He held management positions with Five Flag Center in Dubuque, Iowa from 1981 to 1983. Mr. Attaway holds a Bachelors Degree in Theater Management from Ohio University and he completed the Masters Program in Marketing at the same institution.

PATRICIA BECKER is the Senior Vice President/General Counsel of the Company, Holdings and Capital. Ms. Becker currently is a director of Powerhouse Technologies, Inc. and Fitzgeralds Gaming Corporation and chairs the Compliance Committee for both companies. From 1993 to 1995, Ms. Becker was Chief of Staff for Nevada Governor, Bob Miller. From 1985 to 1993 Ms. Becker was with Harrah's Hotels and Casinos, where she held the position of Senior Vice President and General Counsel. Prior to joining

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Harrah's, she was a member of Nevada State Gaming Control Board. She holds a Juris Doctorate degree from California Western School of Law.

#### COMMITTEES

There are currently no committees of the board of directors of the Issuer (the "Issuer Board"). The Holdings Operating Agreement provides that there will be Executive Management Committees which will be responsible for the day to day management of Holdings and the Company. The Executive Management Committee of the Company includes the following persons: the President and Chief Executive Officer of the Company, the Chief Financial Officer of the Company, the President and Chief Operating Officer of the Aladdin, the President and Chief Operating Officer of the Music Project, the Senior Vice President of Human Resources of the Company, the Senior Vice President of Electronic Gaming of the Company, the Senior Vice President/General Counsel of the Company and the Managing Director of the Salle Privee. See "Certain Material Agreements--Holdings Operating Agreement." The Holdings Board may also establish

committees of the Holdings Board as it may deem necessary or advisable. Each of London Clubs and Sommer Enterprises is entitled to have one of its nominee Holdings Board members on each such committee. Presently, no committees of the Holdings Board have been established.

COMPENSATION

The following table summarizes the compensation earned during 1997 by the Company's, Holdings' and Capital's Chief Executive Officer and the only other executive officer of the Company, Holdings, Capital or the Issuer who earned over \$100,000 in 1997.

<TABLE>

<CAPTION>

NAME AND PRINCIPAL OCCUPATION (2) (3)	ANNUAL COMPENSATION (1)		LONG-TERM COMPENSATION (1)	
	SALARY	OTHER ANNUAL COMPENSATION	RESTRICTED STOCK AWARDS	OTHER
<S>	<C>	<C>	<C>	<C>
Richard J. Goeglein; Chief Executive Officer.....	\$ 650,000 (4)	-- (5)	\$ 0 (6)	\$16,343 (7)
James H. McKennon; Senior Vice President.....	\$ 243,750 (8)	-- (9)	\$ 0 (10)	\$635 (7)

</TABLE>

(1) All of the executive officers of the Company, Holdings and Capital (other than Mr. Dictrow) are compensated by the Company. Mr. Dictrow is principally employed by the Trust and is compensated by the Trust. Compensation has been paid on the Company's behalf by AHL since the Company's inception in January 1997.

(2) The executive officers of the Issuer received no compensation from the Issuer in 1997.

(3) No other executive officer of the Company, Holdings or Capital received a total annual salary and bonus exceeding \$100,000 in 1997 from the Company, Holdings or Capital.

(4) Includes \$150,000 paid to GAI in 1997 for consulting fees.

(5) GAI purchased vested Holdings Common Membership Interests representing 3% of the outstanding Holdings Common Membership Interests for \$1,800. The price paid by GAI for such interests was equal to the fair market value of such interests at the time of purchase. The aggregate amount of all perquisites and other personal benefits received by Mr. Goeglein in 1997 was less than \$50,000.

(6) Mr. Goeglein purchased unvested Holdings Common Membership Interests representing 2% of the outstanding Holdings Common Membership Interests for a purchase price of \$1,200. Such interests had a fair market value of \$1,200 on the date of purchase and vest on the earlier of (a) July 1, 2002 and (b) the date on which such interests become publicly traded.

(7) Represents life insurance premiums paid on behalf of the executive in 1997.

(8) Mr. McKennon's employment with the Company began mid-year 1997. Mr. McKennon's Employment Agreement provides for an annual salary of \$325,000 per year (\$350,000 effective April 1998), plus certain other benefits. See "--Employment Agreements."

(9) The aggregate amount of all perquisites and other personal benefits received by Mr. McKennon were less than 10% of the salary and bonus he was paid in 1997.

(10) Mr. McKennon purchased unvested Holdings Common Membership Interests representing approximately 1.0% of the outstanding Holdings Common Membership Interests for a purchase price of \$600. Such interests had a fair market value of \$600 on the date of purchase. Twenty-five percent of such interests vest on the date of the opening of the Aladdin and an additional 25% vests on each annual anniversary of such opening date.

EMPLOYMENT AGREEMENTS

Richard J. Goeglein, James H. McKennon, Cornelius T. Klerk, Lee A. Galati and Jose A. Rueda (the "Officers") each signed an employment agreement (each, an "Employment Agreement") with the Company during 1997. David Attaway and Patricia

Becker are currently negotiating employment agreements with the Company which are expected to be comparable to the employment agreements discussed herein. The terms of the Employment Agreements were amended on February 26, 1998, such that Holdings became a party and the Officers contributed their Restricted Membership Interests in the Company to Holdings in return for Restricted Membership Interests in Holdings. The initial term of Mr. Goeglein's Employment Agreement is five years and six months, and the remaining Officers' Employment Agreements have an initial duration of four years. Pursuant to each Employment Agreement, the Officers have such authority, responsibilities and duties as are customarily associated with their positions with the Company. The Employment Agreements provide that, during the term of their employment, the Officers will devote their full time, efforts and attention to the business and affairs of the Company.

The terms of the Employment Agreements provide for an annual base salary for Mr. Goeglein, Mr. McKennon, Mr. Klerk, Mr. Galati and Mr. Rueda of \$500,000 (\$600,000 after the opening of the Aladdin), \$325,000 (\$350,000 effective April 1998), \$200,000, \$150,000 and \$250,000, respectively, plus any bonus granted by the Board of Directors based on relevant criteria and performance standards. All of the Officers have been receiving and are expected to continue to receive their compensation from the Company, except that prior to the Issue Date, such amounts have been and will continue to be paid by AHL on the Company's behalf. Mr. Goeglein's Employment Agreement provides for annual bonuses based upon "on target" performances, ranging from 50% to 75% of his base salary, and is subject to certain tax provisions. The Company Board will consider increases to the Officers' base salary no less frequently than annually, commencing at the end of each Officer's first employment year. Any increase in base salary shall be within the sole discretion of the Company Board. The Employment Agreements provide that the Officers' salary cannot be reduced. After the initial term of Mr. Goeglein's Employment Agreement, the Company has agreed to retain Mr. Goeglein as a consultant to the Company for an additional five years at \$100,000 per year. The Officers are entitled to receive other employee benefits from the Company, such as health, pension and retirement and reimbursement of certain expenses.

Pursuant to the terms of the Employment Agreements, as amended, Mr. Goeglein, Mr. McKennon, Mr. Klerk, Mr. Galati and Mr. Rueda have purchased for a total purchase price of \$1,200, \$600, \$450, \$150 and \$450, respectively, unvested Common Membership Interest which were contributed to Holdings on February 26, 1998 in return for unvested Holdings Common Membership Interests representing approximately 2.0%, 1.0%, .75%, .25% and .75% (subject to dilution upon exercise of the Warrants, whether vested or unvested at such time), respectively of the Holdings Common Membership Interests (the "Restricted Membership Interests"), subject to the receipt of applicable Gaming Approvals. The Officers' Restricted Membership Interests will be diluted upon exercise of the Warrants so that Sommer Enterprises and the Officers share pro rata the ultimate dilutive effect of the exercise of the Warrants. Sommer Enterprises' percentage interest will be adjusted upward to the same degree. Enterprises' interest in Holdings will be unaffected by the vesting of the Officers' Restricted Membership Interests. Except with respect to Mr. Goeglein, during the terms of the Employment Agreements, 25% of each Officer's Restricted Membership Interests vest on the date of the opening of the Aladdin, and a further 25% vest on each annual anniversary of the opening of the Aladdin. If the Company continues to employ each Officer after the expiration of the term of each Officer's Employment Agreement, 25% of the Officer's Restricted Membership Interests will continue to vest on each anniversary of the opening date until such interests are fully vested. After the terms of the Employment Agreements, if the Company does not continue to employ

the Officer other than for Cause, or if the Officer no longer continues his employment for Good Reason, only an additional 25% of the Officer's Restricted Membership Interests vests. Mr. Goeglein's Restricted Membership Interests are expected to become fully vested at the earlier of July 1, 2002 and the date on which such interests become publicly traded, conditioned upon Mr. Goeglein's continued relationship with the Company. If an Officer's employment with the Company and Holdings terminates, the Company and Holdings are expected to have the right to repurchase any unvested portion of the Officer's Restricted Membership Interest for an amount equal to the purchase price originally paid by the Officer for the Common Membership Interest. Under certain circumstances as set forth in the Employment Agreements, including if an initial public offering with respect to the Restricted Membership Interests has not occurred prior to the full vesting of such interests, the Officers have the right to sell their vested Restricted Membership Interests to Holdings at fair market value (subject to the receipt of applicable Gaming Approvals and to certain restrictions on restricted payments set forth in the Indenture and the Bank Credit Facility). If Holdings does not satisfy its obligation to purchase the Restricted Membership Interests within seven days, the Officers have the right to require the Company to purchase such interests at fair market value (subject to certain restrictions on Restricted Payments set forth in the Indenture). After the Company has satisfied its obligation to purchase the Restricted Membership Interests, Holdings has the right to call such interests from the Company for nominal

consideration. If, prior to the date of an initial public offering with respect to the Restricted Membership Interests, an Officer is terminated for Cause, except with respect to Mr. Goeglein, the Company and Holdings have the right to purchase any vested Restricted Membership Interests from the Officers at two times the original price paid by the Officer for such interests, (in each case with corresponding rights in Holdings to purchase the Common Membership Interests which correspond to such Restricted Membership Interests for nominal consideration).

The Employment Agreements may be terminated by the Company with or without Cause (as defined in each Employment Agreement) or by the Officers for Good Reason (as defined in each Employment Agreement). If an Officer is terminated for Cause, he shall be entitled only to such salary, bonus and benefits then accrued or vested. If an Officer is terminated without Cause or upon a Change in Control (as defined in the Employment Agreements), the Officer shall be entitled to such salary, bonus and benefits he would have been entitled for the remainder of the four-year term or twelve months, whichever is longer (in the case of Mr. Goeglein, any such amount remaining in connection with his term plus certain other amounts).

Each Officer has agreed not to compete with the Company during the term of the Employment Agreements (plus one additional year if the Officer was terminated for Cause) and has agreed to refrain from certain other activities in competition with the Company.

Each of the Employment Agreements provides that the Company shall indemnify and hold the Officers harmless to the fullest extent permitted by Nevada law against costs, expenses, liabilities and losses, including reasonable attorney's fees and disbursements of counsel, incurred or suffered by the Officer in connection with his services as an employee of the Company during the term of the respective Employment Agreement.

Mr. Goeglein's Employment Agreement provides Mr. Goeglein with relocation expense reimbursement, an interest-free mortgage loan of up to \$500,000, and certain excise tax gross-up provisions.

#### GAI CONSULTING AGREEMENT

The Company has entered into a consulting agreement (as amended, the "Consulting Agreement") with GAI, LLC ("GAI"), a Nevada limited-liability company 100% beneficially owned by Richard Goeglein, which was subsequently amended on February 26, 1998 to add Holdings as a party and pursuant to which amendment GAI contributed its Common Membership Interests in the Company to Holdings in return for Holdings Common Membership Interests. Pursuant to the Consulting Agreement, GAI will render such consulting services as are reasonably requested by the Company Board until June 30, 2002.

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During the term of the Consulting Agreement, the Company shall pay GAI a retainer of \$12,500 each month as payment for remaining on call to provide services and expertise for such month. In addition, GAI purchased a 3% Common Membership Interests in the Company which was contributed to Holdings on February 26, 1998 in return for a 3% Holdings Common Membership Interest (the "GAI Membership Interest") for a purchase price of \$1,800. The GAI Membership Interest is fully vested and is subject to certain anti-dilution provisions contained in the Consulting Agreement (but subject to dilution upon exercise of the Warrants). In addition, (a) if Richard Goeglein is terminated from his employment with the Company other than for "Cause" or voluntarily terminates for "Good Reason" (as such terms are defined in Mr. Goeglein's Employment Agreement with the Company) after the consummation of the Funding Transactions and the Offering or (b) if an initial public offering in respect of the GAI Membership Interest has not occurred prior to July 1, 2002, GAI has the right to sell any shares purchased under the Consulting Agreement back to Holdings at their fair market value at the time of such sale (subject to the receipt of applicable Gaming Approvals and to certain restrictions on restricted payments set forth in the Indenture and the Bank Credit Facility). If Holdings does not satisfy its obligation to purchase the GAI Membership Interest within seven days, GAI has the right to require the Company to purchase such interests at fair market value. After the Company has satisfied its obligation to purchase the GAI Membership Interest, Holdings will have the right to call such interests from the Company at nominal value.

Pursuant to the Consulting Agreement, GAI has certain "piggyback" registration rights with respect to its interests purchased pursuant to the Consulting Agreement. Holdings has agreed to indemnify GAI, its legal counsel and independent accountants against all expenses, claims, losses, damages and liabilities which may arise out of certain acts or omissions committed in connection with the registration of such membership interests, and, in connection with certain acts or omissions not committed in connection with the registration of such membership interests, to the same extent that other senior management and directors of the Company and Holdings are indemnified.

The Company and Holdings currently do not have any bonus or incentive plans. However, the Company anticipates adopting such a plan at such time as it may deem appropriate (subject to supermajority approval by the Holdings Members (as defined herein), such approval not to be unreasonably withheld). It is expected that the terms of any such plan would be comparable to those customary in the industry.

## CONTROLLING STOCKHOLDERS

## OVERVIEW

AHL owns 98.7% of the common membership interests of Sommer Enterprises, a Nevada limited-liability company. Sommer Enterprises currently owns 100% of the Issuer Stock and, on a fully diluted basis assuming full exercise of the Warrants, will own 60% of the Issuer Stock (comprising 100% of the Issuer's Class A Common Stock, no par value, and 50% of the Common Stock). The Holdings Common Membership Interests are held, 25.0% by the Issuer, 47.0% by Sommer Enterprises, 25.0% by London Clubs, through LCNI, and the remaining 3.0% by GAI. Holdings owns all of the outstanding Common Membership Interests and Series A Preferred Interests of the Company.

AHL, which indirectly owns approximately 71.1% of the Common Membership Interests and Series A Preferred Interests, is a 95%-owned subsidiary of the Trust, a private New York discretionary trust, the trustees of which are Mrs. Viola Sommer, Mr. Eugene Landsberg and Mr. Jack Sommer and the beneficiaries of which are certain members of the Sommer family. The Sommer family has been in the business of developing residential and commercial real estate, predominantly in the metropolitan areas of the States of New York and New Jersey, for over 100 years. The former Aladdin hotel and casino located on the Project Site was acquired by a predecessor-in-interest to AHL in December, 1994. Mr. Jack Sommer and the other trustees of the Trust are currently co-defendants in a legal action relating to the acquisition of the Project Site in December, 1994. See "--Trust Litigation".

There is a potential conflict of interest for the Trust with respect to its indirect interest in the Mall Project, on the one hand, and its indirect interest in the Aladdin on the other hand. If the Trust directs attention to operations at the Mall Project and to increasing customers to the Desert Passage, it may decrease the pedestrian traffic to the Aladdin, which could have a material adverse effect on operations of the Company, and accordingly Holdings and Enterprises.

London Clubs (together with AHL, the "Controlling Stockholders") owns 25% of the Holdings Common Membership Interests through subsidiaries. On the opening date of the Aladdin, 0.5% of the Holdings Common Membership Interests will be transferred from London Clubs to Sommer Enterprises and, upon the vesting of certain employees' membership interests in Holdings, London Clubs' percentage of the Holdings Common Membership Interests, and Sommer Enterprises' percentage of the Holdings Common Membership Interests, will be further diluted proportionately to account for such vesting, subject to applicable Gaming Approvals. London Clubs is one of the world's leading casino operators, with seven casinos in London (including Les Ambassadors Club and 50 St. James), three in Egypt and one in Lebanon. Each of London Clubs' casinos offers its own individual style, but with the same internationally-recognized standards of service.

In recent years, London Clubs has embarked upon a period of expansion, acquiring the Park Tower Casino in London's Knightsbridge in October 1996 and in December 1996 re-opening and managing the casino operations of the famous Casino du Liban in Lebanon. On May 29, 1998 London Clubs had an equity market capitalization of over \$461 million. London Clubs is listed on the London Stock Exchange. See "Risk Factors--Controlling Stockholders" and "--Possible Conflicts of Interest."

## HOLDINGS OPERATING AGREEMENT

The members of Holdings (the "Holdings Members") are parties to the Holdings Operating Agreement which sets forth their agreement as to the relationships between Holdings and the Holdings Members and among the Holdings Members themselves and as to the conduct of the business and internal affairs of Holdings and its subsidiaries. For a summary of certain key provisions of the Holdings Operating Agreement, see "Certain Material Agreements--Holdings Operating Agreement."

Concurrent with or prior to the Offering, the following contributions were made in order to effect the equity and Series A Preferred Interest contribution to the Company by Holdings: (i) Sommer Enterprises (a) contributed a portion of the Contributed Land and \$7.0 million consisting of the benefit of certain predevelopment costs incurred by AHL to the Issuer in exchange for Class A Common Stock in the Issuer and (b) contributed a portion of the Contributed Land to Holdings in exchange for Holdings Common Membership Interests, (ii) the Issuer contributed the portion of the Contributed Land and the benefit of the \$7.0 million of certain predevelopment costs received from Sommer Enterprises and the net proceeds allocable from the sale of the Warrants to Holdings in exchange for Holdings Common Membership Interests ((i) and (ii) collectively, the "Sommer Equity Financing"), (iii) Holdings contributed the Contributed Land appraised at \$150.0 million, approximately \$42 million from the London Clubs Contribution and the \$7.0 million consisting of the benefit of certain predevelopment costs incurred by AHL to the Company in exchange for Common Membership Interests in the Company and (iv) Holdings contributed \$115.0 million in cash, consisting of the net proceeds of the sale of the Units and approximately \$8 million of the London Clubs Contribution, to the Company in exchange for Series A Preferred Interests of the Company.

LAND APPRAISAL. The Project Site represents the Company's most material asset. The Bank of Nova Scotia, as arranger of the Bank Credit Facility retained HVS International, a division of Hotel Consulting, Inc., to prepare and deliver an appraisal of the Project Site and the Hotel/Casino (the "Appraisal"). The Appraisal was completed and delivered to the Bank of Nova Scotia and the Company on October 7, 1997. The Appraisal states that as of August 7, 1997, the "market value" of the Project Site was \$180.0 million and of the site on which the Aladdin and the Plant will be built (as well as an adjacent approximately 0.8 acre portion of the Project Site) was \$135.0 million.

#### KEEP-WELL AGREEMENT

AHL, Bazaar Holdings and London Clubs (collectively, the "Sponsors") have entered into the Keep-Well Agreement in favor of the Administrative Agent and the Bank Lenders. Neither the Issuer, Holdings nor holders of the Warrants or Warrant Shares are party to the Keep-Well Agreement. Capitalized terms used and not defined in this section have the meanings assigned to such terms in the Keep-Well Agreement.

The Keep-Well Agreement is the joint and several agreement of the Sponsors to make certain quarterly Cash Equity Contributions (as defined below) to the Company from and after the Conversion Date if the Company fails to comply with the Minimum Fixed Charges Coverage Ratio set forth in the Bank Credit Facility. The Bank Credit Facility defines the Minimum Fixed Charges Coverage Ratio as the ratio of the Company's EBITDA for any period of four consecutive fiscal quarters to the Company's fixed charges for such period. For the Company's first three fiscal quarters after the Conversion Date, the Minimum Fixed Charges Coverage Ratio shall be calculated by annualizing the Company's Minimum Fixed Charges Coverage Ratio for such fiscal quarters.

The Cash Equity Contributions to the Company shall be in an amount that, when added to the Company's EBITDA for the four quarter period ending on the last day of such fiscal quarter, would rectify such breach. In no event shall the aggregate Cash Equity Contributions required to be made by the Sponsors in any fiscal year of the Company exceed \$30.0 million. The \$30.0 million annual limitation on Cash Equity Contribution shall not apply to, or in any way limit, any obligation of the Sponsors to pay the Accelerated Payment Amount (as defined below).

The Cash Equity Contributions are cash contributions by the Sponsors to the Company in exchange for Holdings Series A Preferred Interests or Holdings Series B Preferred Interests having terms and conditions satisfactory to the Bank Lenders (including, without limitation, no mandatory redemption provisions and no requirements for the distribution of cash). The Holdings Operating Agreement makes

provision for adjustment of the proportion of Holdings Common Membership Interests held by Sommer Enterprises and London Clubs for circumstances where the portion of payment made by either Sponsor is in excess of 25% with respect to London Clubs and 75% with respect to Sommer Enterprises. The Cash Equity Contributions and the issuance of Holdings Common Membership Interests or the Holdings Series A Preferred Interests and Holdings Series B Preferred Interests will require the approval of the Nevada Gaming Authorities.

Cash Equity Contributions made under the Bank Completion Guaranty will not count for purposes of the Keep-Well Agreement, and vice-versa.

The Keep-Well Agreement will terminate (the "Keep-Well Termination Date") on the date which is the earliest of (i) the day on which full and indefeasible

payment of the Obligations of the Company under the Bank Credit Facility has been made to reduce the commitments of the Bank Lenders thereunder (the "Commitments") to \$145.0 million or less, (ii) the last day of the period of six consecutive fiscal quarters from and after the Conversion Date during which the Company has satisfied each of the financial covenants set forth in the Bank Credit Facility (without giving effect to any payments to or investments by the Sponsors in or for the benefit of the Company), (iii) the date on which both of the following shall have been satisfied: (a) construction of the Aladdin and renovation of the Theater have been completed in accordance with the terms of the Bank Credit Facility and (b) the Commitments and the aggregate outstanding principal amount of the Obligations under the Bank Credit Facility shall have been reduced to an amount not in excess of a certain amount specified for such date pursuant to a schedule of the 20 quarters following the Conversion Date, (iv) the date on which the Sponsors shall have made full payment of the Accelerated Payment Amount (as defined below) or (v) in the case of London Clubs only, the date on which it shall have made full payment of the Accelerated Payment Amount in respect of certain London Clubs specified events.

The Accelerated Payment Amount is, as of any date, an amount equal to the sum of (a) the product of (i) \$7.5 million times (ii) the number of scheduled quarterly amortization payments remaining under the Bank Credit Facility (which have not been paid by or on behalf of the Company) plus (b) any accrued and unpaid amounts owed by the Sponsors under certain provisions of the Keep-Well Agreement; provided, however, that at no time shall the Accelerated Payment Amount exceed the lesser of (x) the outstanding Obligations of the Company under the Bank Credit Facility and (y) \$150.0 million plus amounts due under clause (b) above, minus the product of (A) \$7.5 million and (B) the number of complete calendar quarters that have elapsed since the Conversion date which is six calendar quarters after the Conversion Date.

The maximum amount of the Accelerated Payment Amount will be \$150.0 million plus any unpaid Cash Equity Contributions previously required to be made under the Keep-Well Agreement. The maximum amount of the Accelerated Payment Amount shall decrease by \$7.5 million for each quarterly amortization payment which is paid or prepaid.

Should certain specified exceptional events under the Keep-Well Agreement occur, London Clubs is obligated to pay the Accelerated Payment Amount. The specified exceptional events will include breaches by London Clubs of various financial covenants and a covenant limiting the amount of secured debt which London Clubs can incur, as well as certain events which will be triggered if other indebtedness of London Clubs is accelerated or if London Clubs becomes insolvent. Any such payments by London Clubs shall be used to repay bank indebtedness under the Bank Credit Facility.

The obligations of London Clubs under the Keep-Well Agreement are subordinated to other obligations of London Clubs under certain of its pre-existing senior debt facilities. In addition, obligations of London Clubs under the Keep-Well Agreement are guaranteed by certain subsidiaries of London Clubs, which subsidiaries currently guarantee other indebtedness of London Clubs.

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Pursuant to the Salle Privee Management Agreement, London Clubs will receive certain fees in consideration for its obligations under the Keep-Well Agreement. See "Certain Transactions--Other Payments to Controlling Stockholders."

The Keep-Well Agreement contains representations and warranties, covenants and events of default that are customary for the type of transaction.

#### TRUST LITIGATION

Mr. Jack Sommer, who is a trustee of the Trust, and the other trustees of the Trust, are co-defendants in a legal action relating to the existing Aladdin hotel and casino commenced by members of the Aronow family (the "Aronow Plaintiffs") in May 1995 in the Supreme Court of the State of New York, County of New York. In their complaint, the Aronow Plaintiffs allege that Mr. Jack Sommer and the Aronow Plaintiffs were parties to a joint venture to acquire and develop the existing Aladdin hotel and casino and that Mr. Sommer breached such alleged agreement when the Trust acquired an interest in the Aladdin hotel and casino in December, 1994. The Aronow Plaintiffs are seeking (among other remedies) to impress a constructive trust upon the Trust's interest in the Aladdin hotel and casino, an accounting, compensatory damages of not less than \$200.0 million and punitive damages of not less than \$500.0 million.

Mr. Sommer and the trustees of the Trust have informed the Company that they intend to vigorously defend such action. However, in the event that the action is successful, the Trust might be required to pay substantial damages and/or the Aronow Plaintiffs might be entitled to part of the Trust's interest in the Aladdin hotel and casino. An adverse decision could have a material and adverse effect on the Company and the Aladdin Parties.

Mr. Sommer and the other trustees of the Trust were also co-defendants in a legal action commenced by Edward Kanbar, Romano Tio and Adina Winston (the "Kanbar Plaintiffs" and together with the Aronow Plaintiffs, the "Plaintiffs") in January 1997 in the Supreme Court of the State of New York, County of New York. In their complaint, the Kanbar Plaintiffs alleged that they were partners in an alleged partnership with Joseph Aronow, which partnership was formed to seek and develop business opportunities with Mr. Sommer. The Kanbar Plaintiffs were seeking (among other remedies) to impress a constructive trust upon the Trust's interest in the Aladdin hotel and casino, compensatory damages of not less than \$20.0 million and punitive damages of not less than \$50.0 million. On January 15, 1998, the court granted the trustees of the Trust's motion to dismiss this action in its entirety.

In 1988, the Trust and two related entities commenced an action in the Southern District of New York against certain entities owned and controlled by Bronfman family interests (the "Bronfman Defendants") alleging, among other things, that the Bronfman Defendants committed violations of Rule 10b-5 under the Securities Exchange Act of 1934, as amended, as well as multiple breaches of fiduciary duties as general partner of a partnership in which the Trust owns limited partnership interests. Relief requested includes an accounting, imposition of a constructive trust and damages in excess of \$100.0 million.

The Bronfman Defendants have asserted counterclaims against plaintiffs and certain Sommer family members individually alleging causes of action for breach of contract, fraud and various related torts. The Bronfman Defendants claim damages in excess of \$100.0 million.

The trustees of the Trust have informed the Company that they intend to vigorously defend the counterclaim. However, in the event the Bronfman Defendants are successful, the Trust might be required to pay substantial damages. An adverse decision could have a material and adverse effect on the Trust.

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#### CERTAIN TRANSACTIONS

##### SALLE PRIVEE MANAGEMENT AGREEMENT

The Company, London Clubs and LCNI are parties to the Salle Privee Management Agreement which relates to the Salle Privee. Under the Salle Privee Management Agreement, London Clubs has agreed to guaranty the obligations of LCNI. In consideration for the services to be furnished by London Clubs under the Salle Privee Management Agreement, the Company will pay to London Clubs a performance-based incentive fee (the "Incentive Marketing and Consulting Fee") calculated as follows: (i) 10% of the Salle Privee EBITDA (defined in the Salle Privee Management Agreement to mean gross revenue attributable to the Salle Privee, less all costs and expenses directly attributable to the Salle Privee), up to and including \$15.0 million of EBITDA; plus (ii) 12.5% of the Salle Privee EBITDA, in excess of \$15.0 million, up to and including \$17.0 million; plus (iii) 25% of the Salle Privee EBITDA, in excess of \$17.0 million, up to and including \$20.0 million; plus (iv) 50% of the Salle Privee EBITDA, in excess of \$20.0 million. The foregoing thresholds will be adjusted in accordance with consumer price index changes every five years. See "Certain Material Agreements--Salle Privee Management Agreement."

##### OTHER PAYMENTS TO CONTROLLING STOCKHOLDERS

In consideration for certain expenses incurred by the Trust prior to the Issue Date relating to the management and coordination of the development of the Aladdin, the Company reimbursed \$3.0 million to the Trust on the Issue Date. In addition, the Company will reimburse certain ongoing out-of-pocket expenses of the Trust relating to the development of the Aladdin, not to exceed \$0.9 million.

In consideration for its obligations under the Keep-Well Agreement and related arrangements, under the London Clubs Purchase Agreement, the parties agreed that London Clubs receive (a) an initial fee of 1.0% of the Company's indebtedness with respect to a \$265.0 million portion of the Bank Credit Facility, which is supported and enhanced by the Keep-Well Agreement (such fee was paid on the Issue Date) and (b) an annual fee of 1.5%, payable in arrears, of the Company's annual average indebtedness with respect to a \$265.0 million portion of the Bank Credit Facility, which is supported and enhanced by the Keep-Well Agreement for each relevant twelve month period ending on an anniversary of the closing date of the Bank Credit Facility, which amount shall reflect the extent, if any, by which the obligations under the Keep-Well Agreement are reduced or eliminated over time (such fees accrue from the closing date of the Bank Credit Facility, and shall be paid from available proceeds after the opening date of the Aladdin).

##### KEEP-WELL AGREEMENT

On the Issue Date, the Sponsors entered into the Keep-Well Agreement in

favor of the Administrative Agent and the Bank Lenders. The Keep-Well Agreement is the joint and several agreement of the Sponsors to make certain quarterly Cash Equity Contributions to the Company from and after the Conversion Date if the Company fails to comply with certain financial ratios set forth in the Bank Credit Facility. See "Controlling Stockholders--Keep-Well Agreement."

#### BANK COMPLETION GUARANTY AND NOTEHOLDER COMPLETION GUARANTY

On the Issue Date, London Clubs, the Trust and Bazaar Holdings entered into the Bank Completion Guaranty in favor of the Bank Lenders. Pursuant to the Bank Completion Guaranty, the parties guaranteed, among other things, the timely completion of the Aladdin. The Bank Completion Guaranty is not subject to any maximum dollar limitations. On the Issue Date, London Clubs, the Trust and Bazaar Holdings also entered into the Noteholder Completion Guaranty for the benefit of the holders of the Notes. Neither Holdings, the Issuer nor holders of the Warrants or the Warrant Shares are party to the Bank Completion Guaranty or Noteholders Completion Guaranty. See "Risk Factors--Limitations Under Bank Completion Guaranty and Noteholder Completion Guaranty" and "--Lack of Available Information on the Trust's Ability to Perform Its Obligations Under Certain Agreements," "Description of Noteholder

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Completion Guaranty and Disbursement Agreement--Noteholder Completion Guaranty" and "Description of Certain Indebtedness and Other Obligations--Bank Completion Guaranty."

#### ARRANGEMENTS WITH RICHARD GOEGLEIN AND GAI

The Company has entered into the Consulting Agreement with GAI. Pursuant to the Consulting Agreement, GAI will render such consulting services as are reasonably requested by the Board of the Company until June 30, 2002. During the term of the Consulting Agreement, the Company shall pay GAI a retainer of \$12,500 per month as payment for remaining on call to provide services and expertise for such month. Pursuant to the Consulting Agreement, GAI purchased 3% of the Common Membership Interests in the Company (which were contributed to Holdings on February 26, 1998 for a 3% interest in Holdings) for \$1,800. Such membership interest is fully vested, subject to certain anti-dilution provisions, put rights and certain "piggyback" registration rights. See "Management--GAI Consulting Agreement." In addition, Mr. Goeglein's Employment Agreement provides Mr. Goeglein with relocation expense reimbursement, an interest free mortgage loan of up to \$500,000 and certain excise tax gross-up provisions.

#### MUSIC PROJECT MANAGEMENT AGREEMENT AND DEVELOPMENT AGREEMENT

It is anticipated that Aladdin Music will contract with the Company for the construction, development and day-to-day management and operations of the Music Project and the Theater and certain promotional development and the services, pursuant to a development agreement (the "Music Project Development Agreement") and a management agreement (the "Music Project Management Agreement"), each in form and substance satisfactory to Aladdin Music and the Company. The terms of the Music Project Management Agreement are expected to be at least as favorable to the Company as those which are available from an independent third party vendor. See "Certain Material Agreements--Music Project Memorandum of Understanding."

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#### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following tables set forth certain information with respect to the beneficial ownership of and the capital stock of the Issuer and the membership interests of Holdings by (i) each person who, to the knowledge of the Aladdin Parties, beneficially owns more than 5% of the outstanding capital stock or membership interests (as the case may be); (ii) the directors of the Issuer and Holdings; (iii) all executive officers of the Issuer and Holdings named in "Management"; and (iv) all directors and executive officers of the Issuer and Holdings, respectively, as a group. Neither the capital stock of the Issuer is, nor the membership interests of Holdings are, presently listed or traded on any securities exchange or securities market.

<TABLE>

<CAPTION>

#### ALADDIN GAMING ENTERPRISES, INC.

#### COMMON STOCK

PRIOR TO EXERCISE OF THE WARRANTS--CLASS A	ASSUMING FULL EXERCISE OF THE WARRANTS--CLASS A	PRIOR TO EXERCISE OF THE WARRANTS--CLASS B COMMON
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NAME OF BENEFICIAL OWNER	COMMON STOCK (6)		COMMON STOCK (6) (7)		STOCK	
	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF CLASS BENEFICIALLY OWNED	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF CLASS BENEFICIALLY OWNED	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF CLASS BENEFICIALLY OWNED
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Viola Sommer, Jack Sommer and Eugene Landsberg, as trustees of the Trust (1) (2).....	1,093,103	98.7%	1,093,103	98.7%	2,186,205	98.7%
Jack Sommer (1) (2).....	1,093,103	98.7%	1,093,103	98.7%	2,186,205	98.7%
Ronald Dictrow (3).....	14,398	1.3%	14,398	1.3%	28,795	1.3%
Cornelius T. Klerk (4).....	0	0.0%	0	0.0%	0	0.0%
All Directors and Executive Officers as a group (5).....	1,107,500	100.0%	1,107,500	100.0%	2,215,000	100.0%

<CAPTION>

NAME OF BENEFICIAL OWNER	ASSUMING FULL EXERCISE OF THE WARRANTS--CLASS B COMMON STOCK (6) (7)	
	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF CLASS BENEFICIALLY OWNED
<S>	<C>	<C>
Viola Sommer, Jack Sommer and Eugene Landsberg, as trustees of the Trust (1) (2).....	2,186,205	49.4%
Jack Sommer (1) (2).....	2,186,205	49.4%
Ronald Dictrow (3).....	28,795	*
Cornelius T. Klerk (4).....	0	0.0%
All Directors and Executive Officers as a group (5).....	2,215,000	50.0%

</TABLE>

\* Represents less than one percent of the outstanding shares of Class B Common Stock.

- (1) The Trust has an option to acquire 5% of the common membership interests in AHL from GW Vegas (representing all of GW Vegas' common membership interests in AHL). Such option is exercisable at any time prior to December 2001. The address of the Trust is 280 Park Avenue, New York, New York.
- (2) Mr. Jack Sommer, who is Chairman and a director of the Company and Holdings and a director of Capital and the Issuer, is a trustee and contingent beneficiary of the Trust. Mrs. Sommer, Mr. Sommer and Mr. Landsberg are each deemed to beneficially own the same interest as the Trust owns in the Issuer because each of them is a trustee of the Trust.
- (3) Mr. Ronald Dictrow is the Secretary and a director of the Issuer. Mr. Dictrow's address is 280 Park Avenue, New York, New York.
- (4) Mr. Cornelius Klerk is the Treasurer of the Issuer. Mr. Klerk's address is 831 Pilot Road, Las Vegas, Nevada.
- (5) The directors of the Issuer are Messrs. Sommer and Dictrow. The executive officers of the Issuer are Messrs. Sommer, Dictrow and Klerk.
- (6) The Class A Common Stock and Class B Common Stock in the Issuer held by Sommer Enterprises were on the closing date pledged to the Bank Lenders.
- (7) Upon the exercise of the Warrants, holders of the Warrant Shares will own 50.0% of the outstanding Class B Common Stock and 0.0% of the outstanding Class A Common Stock of the Issuer.

<TABLE>

<CAPTION>

NAME OF BENEFICIAL OWNER	PERCENTAGE OWNERSHIP OF HOLDINGS COMMON MEMBERSHIP INTERESTS BENEFICIALLY OWNED PRIOR TO EXERCISE OF THE WARRANTS (9)	PERCENTAGE OWNERSHIP OF HOLDINGS COMMON MEMBERSHIP INTERESTS BENEFICIALLY OWNED ASSUMING FULL EXERCISE OF THE WARRANTS (10)
<S>	<C>	<C>
Viola Sommer, Jack Sommer and Eugene Landsberg, as trustees of the Trust (1) (2).....	71.1%	61.6%
Jack Sommer (2).....	71.1%	61.6%
London Clubs (3).....	25.0%	25.0%
Alan Goodenough (3).....	0.0%	0.0%
G. Barry C. Hardy (3).....	0.0%	0.0%
Ronald Dictrow (4).....	*	*
Richard J. Goeglein (5) (7).....	3.0%	2.6%
James H. McKennon (6) (7).....	0.0%	0.0%
Cornelius T. Klerk (6) (7).....	0.0%	0.0%
Jose A. Rueda (6) (7).....	0.0%	0.0%
Lee A. Galati (6) (7).....	0.0%	0.0%
All Directors and Executive Officers as a group (eight persons) (8).....	75.0%	65.0%
</TABLE>		

\* Represents less than one percent of the outstanding Holdings Common Membership Interests.

- (1) The Trust has an option to acquire 5% of the common membership interests in AHL from GW Vegas (representing all of GW Vegas' common membership interests in AHL). Such option is exercisable at any time prior to December, 2001. The address of the Trust is 280 Park Avenue, New York, New York.
- (2) Mr. Jack Sommer, who is Chairman and a director of the Company and Holdings and a director of Capital and the Issuer, is a trustee and contingent beneficiary of the Trust. Mrs. Sommer, Mr. Sommer and Mr. Landsberg are each deemed to beneficially own the same interest as the Trust owns in Holdings because each of them is a trustee of the Trust.
- (3) Mr. Alan Goodenough is Chief Executive Officer of London Clubs and a director of the Company and Holdings. As of March 16, 1998, Mr. Goodenough held approximately 202,000 ordinary shares (representing less than one percent of the share capital) of London Clubs. Mr. Barry Hardy is Finance Director of London Clubs and a director of the Company and Holdings. As of March 16, 1998, Mr. Hardy held approximately 901,000 ordinary shares (representing less than one percent of the share capital) of London Clubs. As of March 16, 1998, Mr. Hardy also held options to purchase 516,395 ordinary shares (options to purchase 512,400 ordinary shares presently exercisable) of London Clubs. The address of London Clubs is 10 Brick Street, London, W1Y, 8HQ, United Kingdom.
- (4) Mr. Ronald Dictrow is a director of the Issuer and the Executive Vice President/Secretary and a director of the Company, Holdings and Capital. Mr. Dictrow's address is 280 Park Avenue, New York, New York.
- (5) Mr. Richard J. Goeglein, who is Chief Executive Officer, President and a director of the Company, Holdings and Capital, beneficially owns 100% of GAI, which holds 3% of the Holdings' Common Membership Interests. Mr. Goeglein's address is 831 Pilot Road, Las Vegas, Nevada.
- (6) The address of Messrs. McKennon, Klerk, Rueda and Galati is 831 Pilot Road, Las Vegas, Nevada.
- (7) Messrs. Goeglein, McKennon, Klerk, Rueda and Galati have rights to acquire beneficial ownership of Holdings Common Membership Interests representing an aggregate of 4.75% of such interests (prior to exercise of the Warrants) and 4.12% of such interests (assuming full exercise of the Warrants), which rights do not vest within 60 days. See "Management--Employment Agreements."
- (8) The directors of Holdings are Messrs. Sommer, Goodenough, Dictrow, and Goeglein. The executive officers of Holdings are Messrs. Goeglein, Dictrow,

- (9) Holdings owns 100% of the Common Membership Interests and Series A Preferred Interests of the Company. The Common Membership Interests were, on closing of the Bank Credit Facility, pledged to the Bank Lenders. The Series A Preferred Interests were, on the closing of the Offering, pledged to the Trustee for the benefit of the Holders.
- (10) The Issuer owns 25% of the Holdings Common Membership Interests. Upon full exercise of the Warrants, holders of the Warrant Shares will indirectly own 10% of the outstanding Holdings Common Membership Interests.

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[CHART]

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ALADDIN BAZAAR, LLC OWNERSHIP STRUCTURE

[CHART]

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DESCRIPTION OF CAPITAL STOCK

The Issuer's Articles of Incorporation, as amended, authorize the issuance of 10,000,000 shares of Issuer Stock without par value, of which 2,000,000 shares are designated as Class A Voting Common Stock (the "Class A Common Stock") and 8,000,000 shares are designated as the Common Stock, which is the Class B Non-Voting Common Stock. As of the date hereof, the Issuer had 1,107,500 shares of Class A Common Stock issued and outstanding and 2,215,000 shares of Common Stock issued and outstanding.

THE CLASS A COMMON STOCK

Each holder of Class A Common Stock is entitled to one vote per share owned of record on all matters that are voted on by stockholders. All stockholder action requires the affirmative vote of a majority of the voting power of the issued and outstanding Class A Common Stock except for the removal of a director from office which requires a vote of not less than two-thirds of the voting power of the issued and outstanding Class A Common Stock. The Class A Common Stock bears no preemptive rights and is not subject to redemption. Once the subscription price of any share of Class A Common Stock has been paid, such share becomes non-assessable. Holders of Class A Common Stock are entitled to receive dividends if, as and when declared by the Issuer's Board of Directors and such dividends may be paid in cash, property, shares of corporate stock, or any other medium.

THE COMMON STOCK

Except as may otherwise be provided by Nevada law, the holders of Common Stock have no right to vote on any matters that are voted on by Issuer's stockholders including, without limitation, any election or removal of directors. However, holders of Warrants and Warrant Shares are entitled to certain minority protections pursuant to the Equity Participation Agreement. See "Certain Material Agreements--Equity Participation Agreement." In all other matters, holders of Common Stock and Class A Common Stock have the same rights, privileges and restrictions and rank equally, share ratably and are identical in all respects as to all matters, including rights to dividends, rights in liquidation and the non-assessability of shares.

THE WARRANTS

On February 26, 1998, the Issuer issued 2,215,000 Warrants which entitle the holders thereof to purchase an aggregate of 2,215,000 shares of Common Stock at an exercise price of \$0.001 per share, subject to certain adjustments (the "Exercise Price"). The Warrants become exercisable at any time on or after the Separation Date and, unless exercised, the Warrants will automatically expire on March 1, 2010 (the "Expiration Date"). The holders of Warrants have no right to receive dividends and are not entitled to share in the assets of the Issuer in the event of liquidation, dissolution or winding up of the Issuer's affairs. The Issuer has authorized for issuance such number of shares of Common Stock as shall be issuable upon the due exercise of all outstanding Warrants.

RESTRICTIONS ON INTERESTED TRANSACTIONS

Pursuant to Nevada law, each director is subject to restrictions relating to the misappropriation of corporate opportunities by such director or such director's affiliates. Nevada law requires that a transaction with the Issuer in which a director or officer of the Issuer has a direct or indirect interest is not voidable by the Issuer solely because of the director's or officer's interest in the transaction if (i) the material facts of the transaction and the

director's or officer's interest therein are disclosed to or known by the directors or a committee noted in the minutes, and the transaction is approved, authorized, or ratified by the disinterested directors, (ii) the material facts of the transaction and the director's or officer's interest therein are disclosed to or known by the stockholders entitled to vote and the transaction is approved or ratified by the stockholders, (iii) the material facts are not disclosed or known to the director or officer at

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the time the transaction is brought before the directors for action, or (iv) the transaction is established to have been fair to the Issuer at the time it was authorized or approved.

#### NEVADA ANTI-TAKEOVER LEGISLATION

Nevada's Combinations with Interested Stockholders statute (NRS Section 78.411-78.444), which applies to Nevada corporations having at least 200 stockholders, prevents an "interested stockholder" and an applicable Nevada corporation from entering into a "combination" unless certain conditions are met. A "combination" means any merger or consolidation with an "interested stockholder," or any sale, lease exchange, mortgage, pledge, transfer or other disposition, in one transaction or a series of transactions, with an "interested stockholder" having: (i) an aggregate market value equal to 5% or more of the aggregate market value of the assets of the corporation, (ii) an aggregate market value equal to 5% or more of the aggregate market value of all outstanding shares of the corporation, or (iii) 10% or more of the earning power or net income of the corporation. An "interested stockholder" means a person who, together with affiliates and associates, beneficially owns (or within the prior three years, did beneficially own) 10% or more of the voting power of the corporation. A corporation to which this statute applies may not engage in a "combination" within the three years after the interested stockholder acquired its shares unless the combination or purchase is approved by the board of directors before the interested stockholder acquired such shares. If this approval is not obtained, then after the expiration of the three-year period, the business combination may be consummated with the approval of the board of directors or a majority of the voting power held by disinterested stockholders, or if the consideration to be paid by the interested stockholder is at least equal to the highest of: (i) the highest price per share paid by the interested stockholder within the three years immediately preceding the date of the announcement of the combination or in the transaction in which it became an interested stockholder, whichever is higher, (ii) the market value per share of common stock on the date of announcement of the combination and the date the interested stockholder acquired the shares, whichever is higher, or (iii) for holders of preferred stock, the highest liquidation value of the preferred stock, if it is higher.

Nevada's Acquisition of Controlling Interest statute (NRS Section 78.378-78.3793) applies only to Nevada corporations with at least 200 stockholders, including at least 100 stockholders of record who are Nevada residents, and which conduct business directly or indirectly in Nevada. As of the date of this Prospectus, the Issuer does not have 100 stockholders of record who are residents of Nevada, although there can be no assurance that in the future the Acquisition of Controlling Interest statute will not apply to the Issuer.

The Acquisition of Controlling Interest statute prohibits an acquiror, under certain circumstances, from voting its shares of a target corporation's stock after crossing certain ownership threshold percentages, unless the acquiror obtains approval of the target corporation's disinterested stockholders. The statute specifies three thresholds: one-fifth or more by less than one-third, one-third but less than a majority, and a majority or more, of the outstanding voting power. Once an acquiror crosses one of the above thresholds, those shares in an offer or acquisition and acquired within 90 days thereof become "Control Shares" and such Control Shares are deprived of the right to vote until disinterested stockholders restore the right. The Acquisition of Controlling Interest statute also provides that in the event Control Shares are accorded full voting rights and the acquiring person has acquired a majority or more of all voting power, all other stockholders who do not vote in favor of authorizing voting rights to the Control Shares are entitled to demand payment for the fair value of their shares in accordance with statutory procedures established for dissenters' rights.

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#### DESCRIPTION OF THE WARRANTS

The Warrants were issued pursuant to a Warrant Agreement (the "Warrant Agreement") between the Issuer and State Street Bank and Trust Company, as warrant agent (the "Warrant Agent"). The following summary of certain provisions of the Warrant Agreement and the Warrants does not purport to be complete and is qualified in its entirety by reference to the Warrant Agreement and the Warrants, including the definitions therein of certain terms.

## GENERAL

The Warrants entitle the holders thereof to purchase an aggregate of 2,215,000 shares of Common Stock at the Exercise Price, subject to adjustment. The Warrants are exercisable at any time on or after the Separation Date prior to March 1, 2010. Unless exercised, the Warrants will automatically expire on the Expiration Date. The Warrants entitle the holders thereof to purchase in the aggregate 40% of the outstanding Common Stock of the Issuer, representing an indirect interest in 10% of the outstanding Holdings Common Membership Interests on a fully diluted basis as of the date of issuance after giving effect to such issuance.

The Warrants may be exercised at any time on or after the Separation Date by surrendering to the Issuer at the office of the Warrant Agent the Warrant certificates evidencing such Warrants with the accompanying form of election to purchase properly completed and executed, together with payment of the Exercise Price. Payment of the Exercise Price may be made in the form of cash or a certified or official bank check payable to the order of the Issuer. Upon surrender of the Warrant certificate and payment of the Exercise Price, the Warrant Agent will deliver or cause to be delivered, to or upon the written order of such holder, a stock certificate representing the number of whole Warrant Shares or other securities or property to which such holder is entitled under the Warrant Agreement and the Warrants, including, without limitation, any cash payment to adjust for fractional interests in Warrant Shares issuable upon such exercise in accordance with the Warrant Agreement. If less than all of the Warrants evidenced by a Warrant certificate are to be exercised, a new Warrant certificate will be issued for the remaining number of Warrants.

No fractional Warrant Share will be issued upon exercise of the Warrants. If any fraction of a Warrant Share would, except for the foregoing provision, be issuable on the exercise of any Warrants (or a specified portion thereof), the Issuer shall pay an amount in cash equal to the current market price per Warrant Share, as determined on the day immediately preceding the date the Warrant is presented for exercise, multiplied by such fraction, computed to the nearest whole U.S. cent.

Certificates for Warrants have been and will be issued in registered form only, and no service charge will be made for registration of transfer or exchange upon surrender of any Warrant certificate at the office of the Warrant Agent maintained for that purpose. The Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration, transfer or exchange of Warrant certificates.

The holders of the Warrants have no right to receive dividends. The holders of the Warrants are not entitled to share in the assets of the Issuer in the event of liquidation, dissolution or winding up of the Issuer's affairs.

In the event of taxable distribution to holders of Issuer Stock which results in an adjustment to the number of Warrant Shares or other consideration for which a Warrant may be exercised, the holders of the Warrants may, in certain circumstances, be deemed to have received a distribution subject to United States federal income tax as a dividend. See "Certain United States Federal Income Tax Considerations."

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## SEPARATION

Each Warrant was originally issued as part of a Unit consisting of: (i) \$1,000 principal amount at maturity of Notes of the Note Issuers; and (ii) 10 Warrants to purchase 10 shares of Common Stock. Pursuant to the terms of the Indenture and the Warrant Agreement, the Notes and the Warrants were to become separately transferable on the "Separation Date," being the earliest of: (i) September 1, 1998; (ii) the date on which a registration statement with respect to the Notes or a registration statement with respect to the Warrants and the Warrant Shares was filed with the Commission under the Securities Act; (iii) the occurrence of a Change of Control (as defined in the Indenture) or a sale or recapitalization of the Issuer, Holdings or the Company occurs (a "Triggering Event"); (iv) 30 days after a Qualified Public Offering; (v) the occurrence of an Event of Default (as defined in the Indenture); or (vi) such earlier date as determined by Merrill Lynch & Co. in its sole discretion. The Separation Date occurred on filing of the Registration Statement.

## NO VOTING RIGHTS

Neither the holders of the Warrants nor, prior to a Qualified Public Offering, the holders of the Warrant Shares will have any right to vote on any matter submitted to shareholders, including any right to vote for the election of directors of the Issuer. Upon the consummation of a Qualified Public Offering, holders of the Warrant Shares will have full voting rights as shareholders of the IPO Entity. Prior to the Issue Date, the Trust, Sommer Enterprises, London Clubs, LCNI, the Issuer and the Warrant Agent on behalf of

the holders of Warrants and Warrant Shares entered into the Equity Participation Agreement under which the parties agreed that they would not effect a Qualified Public Offering unless the Trust and London Clubs (directly or indirectly) and the holders of the Warrants and the Warrant Shares each hold their respective equity interests in the IPO Entity.

#### ADJUSTMENTS

The number of shares of Common Stock purchasable upon the exercise of the Warrants and the Exercise Price both will be subject to adjustment in certain events (subject to certain exceptions) including (i) the payment by the Issuer of dividends (and other distributions) on Issuer Stock payable in Issuer Stock, (ii) subdivisions, combinations and reclassifications of Issuer Stock, (iii) the issuance to all holders of Issuer Stock of rights, options or warrants entitling them to subscribe for Issuer Stock or of securities convertible into or exchangeable for Issuer Stock, for a consideration per share of Issuer Stock which is less than the current market price per share of such Issuer Stock and (iv) the distribution to all holders of Issuer Stock of any of the the Issuer's assets, debt securities or any rights or warrants to purchase securities (excluding those rights and warrants referred to in clause (iii) above and excluding cash dividends less than a specified amount). In addition, the Exercise Price may be reduced in the event of purchases of Issuer Stock pursuant to a tender or exchange offer made by the Issuer or any subsidiary thereof at a price greater than the sale price of such Issuer Stock at the time such tender or exchange offer expires.

No adjustment in the Exercise Price will be required unless such adjustment would require an increase or decrease of at least 1% in the Exercise Price; PROVIDED, HOWEVER, that any adjustment which is not made will be carried forward and taken into account in any subsequent adjustment.

In the case of certain consolidations or mergers of the Issuer, or the sale of all or substantially all of the assets of the Issuer to another corporation, each Warrant shall thereafter be exercisable for the right to receive the kind and amount of shares of stock or other securities or property to which such holder would have been entitled as a result of such consolidation, merger or sale had the Warrants been exercised immediately prior thereto.

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#### AUTHORIZED SHARES

The Issuer has authorized for issuance such number of shares of Common Stock as shall be issuable upon the due exercise of all outstanding Warrants. Such shares of Common Stock, when paid for and issued, will be duly and validly issued, fully paid and non-assessable, free of preemptive rights and free from all taxes, liens, charges and security interests with respect to the issue thereof (other than any such tax, lien, charge or security interest imposed upon or granted by the holder of the Common Stock).

#### AMENDMENT

From time to time, the Issuer and the Warrant Agent, without the consent of the holders of the Warrants, may amend or supplement the Warrant Agreement for certain purposes, including curing defects or inconsistencies or making changes that do not materially adversely affect the rights of any holder. Any amendment or supplement to the Warrant Agreement that has a material adverse effect on the interests of the holders of the Warrants shall require the written consent of the holders of a majority of the then outstanding Warrants (excluding Warrants held by the Issuer or any of its affiliates). The consent of each holder of the Warrants affected shall be required for any amendment pursuant to which the Exercise Price would be increased or the number of Warrant Shares purchasable upon exercise of Warrants would be decreased (other than pursuant to adjustments provided in the Warrant Agreement).

#### GOVERNING LAW

The Warrant Agreement and the Warrants are governed by, and construed in accordance with, the laws of the State of New York without regard to the principles of conflicts of law thereof.

#### ADDITIONAL INFORMATION

Any holder of Warrants or prospective investor may obtain a copy of the Warrant Agreement and the Warrant Registration Rights Agreement without charge by writing to Aladdin Gaming Enterprises, Inc., c/o Aladdin Gaming, LLC, 831 Pilot Road, Las Vegas, Nevada 89119; Attention: Corporate Secretary.

#### REPORTS

Whether or not the Issuer is subject to the reporting requirements of the Exchange Act, the Issuer shall cause copies of (i) all quarterly and annual financial information that would be required to be contained in a filing with

the Commission on Forms 10-Q and 10-K if the Issuer was required to file such forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" that describes the financial condition and results of operations of the Holdings Group, and, with respect to the annual information only, a report therein by the Issuer's certified independent accountants and (ii) all current reports that would be required to be filed with the Commission on Form 8-K if the Issuer was required to file such reports, in each case within the time periods specified in the Commissions's rules and regulations, to be filed with the Commission (to the extent permitted) and the Warrant Agent and mailed to the holders of the Warrants at their addresses appearing in the registrar of Warrants maintained by the Warrant Agent to the same extent as such reports are furnished to the holders of the Notes in accordance with the Indenture.

DESCRIPTION OF NOTEHOLDER COMPLETION GUARANTY  
AND DISBURSEMENT AGREEMENT

NOTEHOLDER COMPLETION GUARANTY

The Trust, London Clubs and Bazaar Holdings (collectively, the "Guarantors") have entered into a guaranty of performance and completion (the "Noteholder Completion Guaranty") in favor of the Trustee (for the benefit of the Noteholders). The following summary of the material terms and provisions of the Noteholder Completion Guaranty does not purport to be a complete summary of the Noteholder Completion Guaranty and is qualified in its entirety by reference to the Noteholder Completion Guaranty, including definitions of certain terms used below. The Noteholder Completion Guaranty provides that the Guarantors jointly and severally guarantee, among other things, to the Trustee (for the benefit of the Noteholders) and covenant and agree to make any and all payments to or on behalf of the Company as may be necessary in order to permit and assure that:

- (i) the Company will promptly carry out the work required for the construction of the Aladdin with due diligence and continuity, in an expeditious and first-class workmanlike manner in accordance with the Approved Plans and Specifications (as defined below) in all material respects and will correct as soon as possible any material defect in such work or material deviation from the Approved Plans and Specifications;
- (ii) the Company will punctually pay all costs, expenses and liabilities incurred by the Company in connection with the construction of the Aladdin in accordance with the Approved Plans and Specifications, and all claims and demands for labor, material and services incurred by the Company prior to completion of the work and in connection with cost overruns of any type and all amounts which the Company may be required to pay from time to time in order to keep the project "In Balance" as such term is defined in the Noteholder Completion Guaranty;
- (iii) the Company will complete the construction of the required Minimum Aladdin Facilities on schedule and in accordance with the Approved Plans and Specifications lien-free other than Permitted Liens;
- (iv) the Company will provide the expertise necessary to supervise such work at no cost to the Trustee;
- (v) in the event the Guarantors fail to pay and/or perform their respective obligations under the Noteholder Completion Guaranty, the Trustee (in addition to any other rights and remedies afforded by applicable law) may pay and perform the Guaranteed Obligations on behalf of the Guarantors, in which case the Guarantors, upon demand, must reimburse the Trustee for all costs, expenses and liabilities incurred in connection therewith; and
- (vi) the Guarantors shall pay the Trustee all reasonable out-of-pocket costs and expenses of the Trustee in connection with the enforcement of the Noteholders' rights and remedies under the Noteholder Completion Guaranty.

The obligations of the Guarantors under the Noteholder Completion Guaranty are subject to certain important qualifications. In particular, the Trustee may not exercise any rights or declare any default under the Noteholder Completion Guaranty and shall not pursue any remedies thereunder including, but not limited to demanding payment or performance during any period that the Bank Completion Guaranty is in effect and the Guarantors thereunder have not been released in writing by the Bank Lenders. Notwithstanding the foregoing, however, the Trustee shall be permitted to exercise any and all rights, declare a default, commence enforcement proceedings and pursue any and all remedies under the Noteholder Completion Guaranty:

- (i) at any time prior to the date that any funds have been advanced or disbursed to the Company pursuant to the Bank Credit Facility;
- (ii) at any time prior to Completion and from after the date on which all indebtedness evidenced and secured by the Bank Credit Facility has been indefeasibly paid in full and the Bank Lenders have released the Guarantors in writing from their obligations under the Bank Completion Guaranty; and
- (iii) at any time after which all of the following events have occurred and are continuing:
  - (a) an event of default under the Bank Completion Guaranty has occurred and is continuing and such event of default has remained uncured for the number of applicable Trigger Days (as defined herein);
  - (b) a Funding Cessation (as defined herein) has occurred and is continuing for the aggregate number of applicable Trigger Days; PROVIDED, HOWEVER, in no event shall aggregate Funding Cessations exceed 180 days in the aggregate (which shall be extended for the number of days during which a Force Majeure Event (as defined below) or Insolvency Proceeding of the Company which impairs the Bank Lenders directly or indirectly from enforcing the Bank Completion Guaranty has occurred and is continuing which such extension shall terminate upon the filing by the Bank Lenders of an action against the Guarantors under the Bank Completion Guaranty to enforce the obligations of the Guarantors thereunder which are susceptible of performance notwithstanding the Insolvency Proceeding of the Company) in any consecutive 365 day period; and
  - (c) the construction work which has been substantially completed in accordance with the Approved Plans and Specifications (as certified by the Construction Consultant) on the date in question has not progressed to the stage of completion set forth for such date (subject to any extensions based upon Force Majeure Events or an Insolvency Proceeding of the Company which impairs the Bank Lenders, directly or indirectly, from enforcing the Bank Completion Guaranty has occurred and is continuing, which such extension shall terminate upon the filing by the Bank Lenders of an action against the Guarantors under the Bank Completion Guaranty to enforce the obligations of the Guarantors thereunder which are susceptible of performance notwithstanding the Insolvency Proceeding of the Company) in the Construction Benchmark Schedule (as defined in the Noteholder Completion Guaranty).

The Noteholder Completion Guaranty also provides that performance in all material respects of the obligations of the Guarantors under the Bank Completion Guaranty (as in effect on the Issue Date, or as may be amended from time to time so long as in connection with each such amendment the Construction Consultant certifies to the Trustee that, after giving effect to such amendment, (i) the Minimum Aladdin Facilities are still capable of being completed by the Operating Deadline, and (ii) the Guarantors have consented to such amendment) shall be deemed to be performance of the corresponding obligations under the Noteholder Completion Guaranty and performance in all material respects of the obligations of the Guarantors under the Noteholder Completion Guaranty shall be deemed to be performance of the corresponding obligations under the Bank Completion Guaranty.

Under the Noteholder Completion Guaranty, the Trustee covenants and agrees that (i) the right of the Trustee to demand payment and/or performance of the obligations under the Noteholder Completion Guaranty, to exercise any rights, remedies and options and/or to commence enforcement proceedings under the Noteholder Completion Guaranty shall be subject to the delivery by the Trustee of a written notice to the Administrative Agent no later than 10 business days prior to the making of such demand for payment and/or performance, exercise of rights remedies and options, or commencement of enforcement proceedings, as applicable, (ii) the Bank Lenders shall have all rights at law and equity including, without

limitation, the right to seek an injunction or other extraordinary remedy to prevent or prohibit the making of any demand for payment and/or performance, exercise of rights remedies and options, or commencement of enforcement proceedings by the Trustee which is in contravention of the "standstill" provisions of the Noteholder Completion Guaranty described above, and (iii) the Noteholder Completion Guaranty shall not have been amended, modified, and/or amended and restated without the prior written consent of the Administrative Agent in its sole discretion; provided that the consent of the Administrative Agent shall not be required in connection with to corrective amendments required to be made to the Noteholder Completion Guaranty as and when corresponding amendments are made to the Bank Completion Guaranty.

In addition, the Trustee on its own behalf and on behalf of the

Noteholders has covenanted and agreed that the rights, remedies and options of the Trustee under the Noteholder Completion Guaranty in no way restrict the rights and remedies of the Administrative Agent and the Bank Lenders under the Bank Credit Facility or any security therefor including, without limitation, the right to commence and prosecute to completion enforcement of the Bank Credit Facility and any documents evidencing or securing the obligations under the Bank Credit Facility. The Trustee agreed on its own behalf and on behalf of the Noteholders that no Person shall have any right whatsoever to interpose a right of offset, defense, claim or counterclaim with respect to any enforcement of the Bank Credit Facility documents based upon a claim that the Trustee has the right to performance of the guaranteed obligations before such enforcement can be commenced or prosecuted or judgment thereon can be executed by or on behalf of the Bank Lenders.

"Approved Plans and Specifications" shall mean all plans, specifications, design documents, schematic drawings and related items for the design, architecture and construction of the Aladdin, as delivered to the Trustee on the Issue Date, as the same may be (x) finalized in a manner that reflects a natural evolution of their status on the date hereof and in a manner consistent with the standards set forth in the Credit Agreement with respect to the Bank Credit Facility (the "Bank Credit Agreement") and (y) amended in accordance with the Bank Credit Agreement.

"Construction Benchmark Schedule" shall have the meaning set forth in the Noteholder Completion Guaranty and the Bank Credit Agreement.

A "Funding Cessation" shall occur at any time that funds are unavailable to the Company (from any source whatsoever) to fund draws under the Bank Credit Facility in an amount equal to 75% of the draw request in question or the Construction Consultant fails to deliver the On Schedule Certificate as contemplated by the Engagement Letter among Rider Hunt (NV) L.L.C., the Administrative Agent, the Disbursement Agent, the Trustee, and others.

"Force Majeure Event" shall mean any event which is defined as a "Force Majeure" in the Design/ Build Contract and/or that causes a delay in the construction of the Aladdin and is outside the Company's control but only to the extent (a) such event does not arise out of (i) the negligence, willful misconduct or inefficiencies of the Company, (ii) late performance by the Design/Builder or ADP, (iii) any cause or circumstances resulting in delays, stoppage or any other interference with the construction of the Aladdin caused by the insolvency, bankruptcy or any lack of funds by the Company, any of the other Project Parties (as defined herein), the Energy Provider, Unicom, and/or ADP, or (iv) delays, stoppage or other interference with the construction of the Aladdin caused by the insolvency, bankruptcy or any lack of funds by Bazaar, Aladdin Music and/or the construction contractors and project architects with respect to the Mall Project, the Music Project and/or the Energy Project, and (b) such event consists of an Act of God (such as tornado, flood, hurricane, etc.), fires and other casualties; strikes, lockouts or other labor disturbances (except to the extent taking place at the Project Site only); riots, insurrections or civil commotions; embargoes, shortages or unavailability of materials, supplies, labor, equipment and systems that first arise after the Issue Date, but only to the extent caused by another act, event or condition covered by this clause (b); sabotage; vandalism; the requirements of law, statutes, regulations and other legal requirements enacted after the Issue Date (unless the Company should, in the exercise of due diligence

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and prudent judgment, have anticipated such enactment); orders or judgments; or any similar types of events, provided, that (x) the Company has sought to mitigate the impact of the delay, (y) any delay resulting from the foregoing shall not exceed 365 days, and (z) the period during which a Force Majeure Event exists shall commence on the date that the Company has given the Trustee and the Administrative Agent written notice describing in reasonable detail the event which constitutes a Force Majeure Event and the Trustee and the Administrative Agent have confirmed the existence of such Force Majeure Event on the date of such notice and shall end on the date that such Force Majeure Event no longer exists, whether or not notice is given to the Trustee and the Administrative Agent, as determined by the Construction Consultant.

"Trigger Days" shall be defined as follows:

- (i) an aggregate of 60 calendar days during any period in which the Bank Lenders have disbursed more than \$1 and up to and including \$35.0 million of the Bank Credit Facility to the Company;
- (ii) an aggregate of 90 calendar days during any period in which the Bank Lenders have disbursed more than \$35.0 million and up to and including \$70.0 million of the Bank Credit Facility to the Company;
- (iii) an aggregate of 120 calendar days during any period in which the Bank Lenders have disbursed more than \$70.0 million and up to and including \$110.0 million of the Bank Credit Facility to the Company; and

- (iv) an aggregate of 180 calendar days during any period in which the Bank Lenders have disbursed more than \$110.0 million of the Bank Credit Facility to the Company.

#### DISBURSEMENT AGREEMENT

The Company, Holdings, Scotiabank, as the Administrative Agent under the Bank Credit Facility, the Trustee, Scotiabank, as the Disbursement Agent on behalf of the Bank Lenders and the Trustee (the "Disbursement Agent"), and as Securities Intermediary and the Servicing Agent entered into the Disbursement Agreement concurrently with the closing of the Offering. The following summary of the material provisions of the Disbursement Agreement does not purport to be a complete summary of the Disbursement Agreement and is qualified in its entirety by reference to the Disbursement Agreement, including the definitions therein of certain terms used below. Capitalized terms that are used hereunder but not otherwise defined in this Prospectus have the meanings assigned to them in the Disbursement Agreement.

Pursuant to the Disbursement Agreement, on the Issue Date approximately \$35 million of the net proceeds of the Offering were deposited into the Note Construction Disbursement Account, which is subject to the sole dominion and control of the Disbursement Agent on behalf of the Trustee (for the benefit of the Noteholders) and the proceeds from the Term B Loan and the Term C Loan were advanced to the Company and thereafter deposited by the Company into the Cash Collateral Account, which will be subject to the sole dominion and control of the Disbursement Agent on behalf of the Bank Lenders who have made the Term B Loans and the Term C Loans. All funds in the Note Construction Disbursement Account are pledged to the Disbursement Agent for the benefit of the Trustee to secure repayment of the Notes and all funds in the Cash Collateral Account are pledged to the Disbursement Agent to secure repayment of the Term B Loans and Term C Loans. The Disbursement Agreement establishes the conditions to, and the sequencing of, the making of disbursements of the proceeds of the Offering, the funds from the Term B Loan and Term C Loan and the advances of the Term A Loan and from other sources. Pursuant to the Disbursement Agreement, (i) all of the proceeds from the Offering must be expended before any proceeds from the Term B Loan and Term C Loan may be disbursed; (ii) the proceeds from the Term B Loan and the Term C Loan will be disbursed pro rata; and (iii) advances under the Term A Loan will only be made after all of the proceeds of the Term B Loan and Term C Loan are

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expended (other than to fund draws under Letters of Credit which are issued as part of the Bank Credit Facility). The drawdown of funds under the FF&E Financing will not be subject to the provisions of the Disbursement Agreement.

The Disbursement Agreement authorizes disbursement from the Note Construction Disbursement Account and the Cash Collateral Account only upon the satisfaction of various conditions precedent set forth in the Disbursement Agreement. These conditions include, among other things:

- (i) delivery by the Company of a disbursement request and certificate certifying as to, among other things, (a) the application of funds to be disbursed, (b) the substantial conformity of construction undertaken to date with the Approved Plans and Specifications, as amended from time to time, in accordance herewith, (c) the expectation that the Aladdin will be completed by the Operating Deadline, (d) the accuracy of the budget for the construction of the Aladdin, as amended from time to time in accordance with the Bank Credit Agreement, (e) the sufficiency of remaining funds to complete the Aladdin by the Operating Deadline, (f) compliance with line item budget allocations, taking into account allocations for contingencies; (g) the accuracy of the representations and warranties contained in the Disbursement Agreement, the other Loan Documents, the Bank Completion Guaranty, the Noteholder Completion Guaranty, and the other material project documents (collectively, the "Operative Documents"), as if made on such date (except those that relate to a different date) unless the failure of the foregoing to be the case would not have a material adverse effect on the financial condition, business, property, prospects or the ability of the Company, and to the Company's knowledge each of AHL, Holdings, London Clubs, LCNI, Design/Builder and Fluor (collectively, the "Project Parties") to perform in all material respects their respective obligations under the Operative Documents to which they are a party; (h) the Operative Documents continue to be in full force and effect and (i) the absence of an event of default with respect to certain material covenants in the Operative Documents which would be reasonably likely to cause a material adverse effect on the financial condition, business, property, prospects or the ability of the Company or (to the Company's knowledge) any of the Project Parties to perform their respective obligations under the Operative Documents to which they are a party;

- (ii) the absence of any default or an event of default (each as defined in

the Bank Credit Agreement) with respect to the Operative Documents which would be reasonably likely to cause a material adverse effect on the financial condition, business, property or prospects of the Company, or to the Company's knowledge of the Project Parties and their ability to perform in all material respects their respective obligations under the Operative Documents to which they are a party;

- (iii) delivery by the Construction Manager, the Construction Consultant and the Project Architect of certificates corroborating various matters set forth in the Company's disbursement request and certificate;
- (iv) compliance by the Guarantors under the Bank Completion Guaranty and London Clubs and AHL, as Sponsors, of their respective obligations under the Keep-Well Agreement;
- (v) receipt by the Company of the governmental approvals required to be in effect at such time;
- (vi) delivery by the Company to the Disbursement Agent of the acknowledgment of payment and lien releases required under the Disbursement Agreement;
- (vii) the procurement of all insurance policies required under the Disbursement Agreement, including required endorsements,
- (viii) the absence of pending material litigation which materially and adversely affects the financial condition, business, property, prospects or ability of the Company or the Project Parties to

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perform in all material respects their respective obligations under the Operative Documents to which they are a party;

- (ix) all of the documents evidencing the Disbursement Agent's security interest in the proceeds, if any, in the Note Construction Disbursement Account (for the sole and exclusive benefit of the Trustee and the Noteholders) and in the Series A Preferred Interests, and the Bank Lenders' security interest in the collateral pledged as security under the Bank Credit Facility being in full force and effect;
- (x) the absence of any material adverse change in the financial condition, business, property, prospects or the ability of the Company and the Project Parties to perform in all material respects their respective obligations under the Operative Documents to which they are a party;
- (xi) delivery of title insurance endorsements which increase the amount of title insurance coverage by the amount of such advances and which insure the first priority of the Deed of Trust;
- (xii) payment of all applicable fees and expenses; and
- (xiii) delivery of amounts required in order for the Project Budget and all contingencies and reserves to be In Balance.

The Disbursement Agreement establishes procedures for the approval by the Bank Lenders of amendments to the Approved Plans and Specifications. Pursuant to the Disbursement Agreement, the Approved Plans and Specifications may be amended by the Company, the Guarantors and the Bank Lenders at any time so long as in connection with each such amendment, the Construction Consultant certifies to the Trustee that (i) after giving effect to the amendment, the Approved Plans and Specifications (as so amended) continue to call for the construction of the Aladdin Minimum Facilities; (ii) after giving effect to the amendment, the Approved Plans and Specifications (as so amended), will continue to permit the Aladdin Minimum Facilities to be completed on or prior to the Operating Deadline, and (iii) the Guarantors have consented in writing to such amendment.

Pursuant to the Disbursement Agreement, with the approval of each disbursement, the Construction Consultant (to the extent that the circumstances factually permit the Construction Consultant to do so in good faith) has agreed to provide the Lenders and the Trustee with a certificate which provides in substance that as of such date the Minimum Aladdin Facilities continue to be capable of being completed in accordance with the Approved Plans and Specifications on or before the Operating Deadline (the "On Schedule Certificates"). In addition, the Administrative Agent has agreed to send to the Trustee a copy of each written notice of any default or event of default under the Bank Credit Agreement which the Administrative Agent sends to the Company.

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#### DESCRIPTION OF CERTAIN INDEBTEDNESS AND OTHER OBLIGATIONS

The following discussion summarizes the material terms of certain material financing agreements which are either in place or are currently being negotiated

between the Company (and/or the Controlling Stockholders) and various other parties. This summary does not purport to be complete and is qualified in its entirety by reference to the full agreements described herein once finalized and executed. Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the agreement being described (unless otherwise indicated).

#### BANK CREDIT FACILITY

GENERAL DESCRIPTION OF THE BANK CREDIT FACILITY. The Company has entered into the Bank Credit Facility with a syndicate of lenders (the "Bank Lenders"), Scotiabank, as Administrative Agent, CIBC Oppenheimer Corp., as the documentation agent ("Documentation Agent"), and Merrill Lynch Capital Corporation ("Merrill"), as the syndication agent ("Syndication Agent"). The Bank Credit Facility, which comprises senior secured construction/term loan facilities, consists of three construction/term loans: (i) the \$136.0 million Term A Loan that has a stated maturity date of seven years from the closing date of the Bank Credit Facility (the "Bank Closing Date"), (ii) the \$114.0 million Term B Loan that has a stated maturity date of eight and one half years from the Bank Closing Date, and (iii) the \$160.0 million Term C Loan that has a stated maturity date of ten years from the Bank Closing Date (each term loan, a "Loan"). The Loans will convert from construction loans into amortizing term loans on a date (the "Conversion Date") which is the earlier of (x) the issuance of a permanent certificate of occupancy for the Aladdin (which must include appropriate parking facilities) and operating permits for the Plant or (y) the completion of the Aladdin and the Plant as determined by the Administrative Agent and the Construction Consultant. The proceeds of the Bank Credit Facility shall be used by the Company to finance a portion of the main Project Costs. The maximum amount of the Bank Credit Facility is \$410.0 million plus, subject to certain conditions, certain additional amounts as described under "Description of the Notes--Certain Covenants."

On the date on which the initial Advance was made, the Bank Lenders that had committed to make the Term B Loan and the Term C Loan, advanced their respective committed amounts thereof to an account (the "Cash Collateral Account") over which the Disbursement Agent has dominion and control over, and a perfected first security interest for the benefit of the Bank Lenders which have advanced the Term B Loan and the Term C Loan. The proceeds of the Term B Loan and the Term C Loan were not permitted to be disbursed from the Cash Collateral Account until all of the proceeds of the Offering had been expended. In June, 1998, the Company began to use a portion of such proceeds in the construction of the Aladdin. The use of the remaining proceeds of the Term B Loan and Term C Loan in the construction of the Aladdin is subject to the satisfaction of the conditions in the Disbursement Agreement. The proceeds of the Term B Loan and the Term C Loan must be fully disbursed from the Cash Collateral Account prior to any advance of the Term A Loan (other than advances of the Term A Loan which are made to reimburse Scotiabank (in such capacity, the "LC Issuer") for disbursements made in respect of Letters of Credit which have been drawn upon). Disbursements from the Cash Collateral Account (with respect to the Term B Loan and the Term C Loan) and advances of the Term A Loan shall be made in accordance with the Disbursement Agreement but no advances under the Bank Credit Facility shall be made on or after the Conversion Date.

LETTERS OF CREDIT. The Bank Credit Facility provides that the Company may from time to time (prior to a certain period preceding the Conversion Date) request that one or more letters of credit (the "Letters of Credit") be issued or extended if required as a deposit by suppliers and/or contractors providing materials to the Aladdin; PROVIDED, HOWEVER, no Letter of Credit shall be issued for the Gaming Equipment and Specified Equipment which is covered by the FF&E Financing. The aggregate amount of such Letters of Credit shall not exceed \$20.0 million.

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MATURITY DATE OF THE BANK CREDIT FACILITY. The entire outstanding principal balance of the Loans, together with all unpaid interest thereon and other amounts due to the respective Bank Lenders under the documents pursuant to which the Loans were made (the "Loan Documents") is due and payable in immediately available funds on the stated maturity date of each Loan.

The maturity dates of the Loans shall be the earlier of (a) the date upon which the Loans become immediately due and payable by reason of the occurrence of an event of default under the Loan Documents (beyond the expiration of applicable grace, notice and cure periods) and (b) the above mentioned stated maturity date for each Loan.

INTEREST RATE. At the Company's option, the Loans will bear interest at either Scotiabank's (i) alternate base rate (the "Alternate Base Rate" or "ABR") or (ii) reserve adjusted LIBOR plus, in each case, the applicable following margins.

(a) In the case of the Term A Loan and prior to the date on which is 6 months after the Conversion Date, the following margin applies: Alternate Base Rate +200 bps and reserve adjusted LIBOR +300 bps.

(b) As regards the Term A Loan, from and after the date which is six months after the Conversion Date, the applicable margin set forth in the currently effective compliance certificate applies:

<TABLE>

<CAPTION>

TOTAL DEBT TO EBITDA	ALTERNATE BASE RATE	LIBOR
-----	-----	-----
<S>	<C>	<C>
greater than or equal to 4.0x.....	+175 bps	+275 bps
less than 4.0x and greater than or equal to 3.5x.....	+150 bps	+250 bps
less than 3.5x and greater than or equal to 3.0x.....	+100 bps	+200 bps
less than 3.0x and greater than or equal to 2.5x.....	+75 bps	+175 bps
less than 2.5x.....	+50 bps	+150 bps

</TABLE>

(c) With respect to the proceeds of the Term B Loan and the Term C Loan which are being held in the Cash Collateral Account, the Alternate Base Rate margin shall be +100 bps and the reserve adjusted LIBOR margin is +200 bps.

(d) With respect to all portions of the Term B Loan and the Term C Loan which have been disbursed from the Cash Collateral Account, the Term B Loan and Term C Loan will bear interest based at either LIBOR or the Alternate Base Rate, in both cases, plus a certain margin.

OPTIONAL PREPAYMENTS. The Bank Credit Facility allows the Company to prepay, at its option, certain of the Loans under certain conditions.

SCHEDULED AMORTIZATION. From and after the Conversion Date, the principal amount of the Bank Credit Facility will be amortized (the "Scheduled Amortization") on certain scheduled quarterly dates (ranging from 20 scheduled quarters for the Term A Loan, 26 scheduled quarters for the Term B Loans and 32 scheduled quarters for the Term C Loan) and in certain amounts (ranging from \$4.0 million to \$10.0 million per quarter for the Term A Loan, \$300,000 to \$20.0 million per quarter for the Term B Loan, and \$400,000 to \$25.5 million per quarter for the Term C Loan).

MANDATORY PREPAYMENTS. From and after the Conversion Date, the Company shall make mandatory prepayments of principal (the "Mandatory Prepayments") in addition to the Scheduled Amortization on certain scheduled quarterly dates and in certain amounts based on a percentage of the Excess Cash Flow from the Aladdin. In addition to the foregoing payments and the Scheduled Amortization, the entire outstanding principal balance of the Bank Credit Facility shall become immediately due and payable (and any outstanding Letters of Credit shall be cash collateralized) and the obligation of any Bank Lender which has committed to make a Term A Loan or participate in the Letters of Credit shall automatically terminate (a) upon a sale, transfer or conveyance of or borrowing against (whether or not secured by) the

Aladdin not otherwise permitted by the Loan Documents, (b) a change in control (as defined in the Bank Credit Facility) or (c) if no disbursement of any proceeds of the Term B Loan or the Term C Loan is made from the Cash Collateral Account within twelve months after the Bank Closing Date (subject to Force Majeure Events). Subject to certain Bank Lenders' rights to elect not to receive a Mandatory Prepayment, Mandatory Prepayments of the Bank Credit Facility will be applied in the inverse order against the Scheduled Amortization PRO RATA among the Term A Loan, the Term B Loan and the Term C Loan. The Loan Documents provide, in relevant part, that the amount of any Mandatory Prepayment of the Term B Loan and the Term C Loan which is due from the Company with respect to a change of control of the Company or the interests of the Sponsors (excluding a transfer of the Sponsor interests resulting from the exercise of warrants issued in connection with the Notes) shall be 101% of the principal amount of the Term B Loan and the Term C Loan.

COMMITMENT FEE. From and after the Bank Closing Date and until the Conversion Date, a non-refundable fee (the "Term A Loan Commitment Fee") in the amount of 0.5% per annum of the unfunded portion of the Term A Loan shall accrue on the daily average unfunded portion of the Term A Loan. The Term A Loan Commitment Fee shall be payable to the Bank Lenders which have made a commitment to make the Term A Loan on the last business day of each calendar quarter in arrears in proportion to their respective unfunded commitments of the Term A Loan.

SECURITY. As security for the Bank Credit Facility, the Company has entered into a deed of trust in favor of the Bank Lenders securing the Notes and all obligations of the Company under the Loan Documents, encumbering the Aladdin

(including any and all leasehold interests) as a first priority lien, subject only to those title exceptions approved by the Administrative Agent.

The Company has also assigned all present and future of leases, rents, issues and profits in favor of the Bank Lenders, assigning to the Bank Lenders such leases pertaining to the Aladdin, including the Ground Leases and the Theater Lease and, to the extent they are assignable, the contracts, agreements, proposals, permits, approvals, plans and specifications pertaining to the Aladdin.

In addition, the Company has entered into security agreements granting to the Bank Lenders a continuing first priority security interest in all accounts, accounts receivable, all reserves, all licenses (other than liquor licenses and those granted pursuant to Gaming Approvals to the extent they cannot be assigned), Specified Equipment and Gaming Equipment installed in, affixed to, placed upon and used in connection with the Aladdin which are owned or leased by the Company (subject to the rights of the FF&E Lender under the FF&E Financing), the Marks and all other tangible or intangible personal property owned by the Company.

As further security for the Bank Credit Facility, (a) AHL has entered into a pledge and security agreement pledging all of its interest in Sommer Enterprises to the Bank Lenders; (b) Sommer Enterprises has entered into a pledge and security agreement pledging all of its interests in the Issuer and Holdings to the Bank Lenders; (c) the Issuer has entered into a pledge and security agreement pledging all of its interests in Holdings (other than the interests relating to the Warrants which have been issued by the Issuer in connection with the Offering) to the Bank Lenders; (d) Holdings has entered into a pledge and security agreement pledging all of its interest in the Company to the Bank Lenders other than the Series A Preferred Interests; (e) the Company has entered into a pledge and security agreement pledging all of its interest in AMH to the Bank Lenders; and (f) AMH has entered into a pledge and security agreement pledging all of its interest in Aladdin Music to the Bank Lenders; (g) LCNI has entered into a pledge and security agreement pledging all of its interest in Holdings to the Bank Lenders; and (h) Holdings has entered into a pledge and security agreement pledging all of its interest in Capital to the Bank Lenders. The pledges of the equity securities of those entities registered as holding companies or licensed by the Nevada Commission will require the approval of the Nevada Commission in order to remain effective. In addition, if such companies are registered and licensed (as applicable), separate approvals will be required to foreclose on the pledges and such approvals will require the licensing of the Bank Lenders unless such requirement is waived by the Nevada Gaming Authorities upon application by the Bank Lenders.

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Furthermore, if the Company is licensed by the Nevada Gaming Authorities at any time during the term of the Bank Credit Facility, the Bank Lenders will be subject to being called forward by the Nevada Gaming Authorities, in their discretion, for licensing or a finding of suitability as lenders to a Company Licensee.

**IN BALANCE REQUIREMENTS.** The Bank Credit Facility and the Disbursement Agreement include loan balancing provisions requiring the Company to deposit additional monies into the Cash Collateral Account if the Administrative Agent and the Bank Lender's Consultant reasonably determine that the Bank Credit Facility is not "In Balance." The Bank Credit Facility will be considered "In Balance" when undisbursed portions of the Bank Credit Facility allocated to each line item category in the Budget equals or exceeds such line item category, contingency requirements have been satisfied and the guaranteed maximum price is in effect.

**AFFIRMATIVE COVENANTS.** The Bank Credit Facility contains customary affirmative covenants for the type of transaction proposed, including, without limitation, the following: (a) the Company will construct the Aladdin and perform all the work required under the other Loan Documents, (b) the Company will operate the Aladdin as a first-class casino hotel, (c) the Company will maintain adequate reserves and (d) the Company will provide the Administrative Agent with certain financial information.

**NEGATIVE COVENANTS.** The Bank Credit Facility contains customary negative covenants for the type of transaction proposed, including, without limitation, the following: (a) restrictions on the incurrence of debt, sale leasebacks and contingent liabilities; (b) restrictions on making dividends or similar distributions; (c) restrictions on the incurrence of liens or other encumbrances; (d) restrictions on the sale of assets or other similar transfers; (e) restrictions on investments or acquisitions; (f) restrictions on mergers, consolidations and similar combinations; (g) restrictions on transactions with affiliates; (h) limitations on capital expenditures; (i) restrictions on adjustments or reallocations against line items in the Budget; and (j) restrictions on any amendment or modification of certain material agreements. Any restrictions on the transfer of and agreements not to encumber the equity securities of any registered holding company of the Company will require the

approval of the Nevada Commission in order to remain effective.

**FINANCIAL COVENANTS.** The Bank Credit Facility contains certain financial covenants, including, without limitation, the following: minimum fixed charge coverage; minimum interest coverage; maximum debt to EBITDA; minimum EBITDA and minimum net worth.

**EVENTS OF DEFAULT.** The Bank Credit Facility contains events of default customary for the type of transaction proposed including, without limitation, a cross-default to other indebtedness or agreements of the Company, London Clubs, the other Sponsors and the Guarantors under the Bank Completion Guaranty.

#### SENIOR DISCOUNT NOTES

**GENERAL DESCRIPTION OF THE NOTES.** Pursuant to an Indenture dated as of February 26, 1998 (the "Indenture"), the Note Issuers issued 221,500 \$1,000 principal amount at maturity of 13 1/2% Senior Discount Notes due 2010 (the "Notes"). The Notes were issued as part of 221,500 Units, each Unit consisting of one Note and 10 Warrants. Pursuant to their terms the Notes and Warrants became separately transferrable on the Separation Date, which date occurred upon filing of the Registration Statement and the registration statement with respect to the New Notes (the "Exchange Offer Registration Statement") with the Commission.

**MATURITY.** The Notes mature on March 1, 2010.

**ACCRETED VALUE AND INTEREST.** The initial Accreted Value of the Notes was \$519.40 per \$1,000 principal amount at maturity of the Notes. The Notes accrete at 13 1/2% (computed on a semi-annual bond equivalent basis) based on the initial Accreted Value, calculated from February 26, 1998 (the "Issue Date"). The Notes will accrete to an aggregate principal amount of \$221.5 million by March 1, 2003. Cash interest will not accrue on the Notes prior to March 1, 2003. Commencing on September 1, 2003, cash

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interest on the Notes will be payable, at a rate of 13 1/2% per annum, semiannually in arrears on March 1 and September 1 of each year until maturity.

**SECURITY.** The Notes are secured by a first priority pledge of the proceeds deposited in the Note Construction Disbursement Account and by a first priority pledge of all of the issued and outstanding Series A Preferred Interests.

**SERIES A PREFERRED INTERESTS.** On the Issue Date, the Series A Preferred Interests had a liquidation preference of \$115.0 million. The liquidation preference of the Series A Preferred Interests accretes on a semi-annual bond equivalent basis using a 360 day year comprised of twelve 30-day months. On March 1, 2003, the liquidation preference of the Series A Preferred Interests will be \$221.5 million. All Series A Preferred Interests are held by Holdings and pledged to the Trustee for the benefit of the holders of the Notes. From and after September 1, 2003, distributions on the Series A Preferred Interests will be payable in cash. Holdings is obligated under the Indenture to utilize such cash distributions to make payments on the Notes.

The Series A Preferred Interests are mandatorily redeemable on March 1, 2010. After March 1, 2003, the Series A Preferred Interests are redeemable at the option of the Company, so long as the proceeds thereof are used by Holdings to make a redemption of the Notes or an offer to purchase Notes, in each case, in accordance with the terms of the Indenture. See "--Optional Redemption" and "--Gaming Redemption." Except for the pledge to the Trustee for the benefit of the holders of the Notes, the exercise of remedies in respect of such pledge or any transfer after foreclosure under such pledge, the Series A Preferred Interests are nontransferable.

**OPTIONAL REDEMPTION.** The Notes are redeemable at the option of the Note Issuers, in whole or in part, on or after March 1, 2003, at a declining premium to their Accreted Value, plus accrued and unpaid interest and Liquidated Damages (as defined in the Indenture), if any, to the date of redemption. Notwithstanding the foregoing, on or prior to March 1, 2001, the Note Issuers may redeem up to an aggregate of 35% of the Accreted Value of the Notes at a redemption price of 113 1/2% of the Accreted Value thereof, plus Liquidated Damages, if any, thereon to the redemption date, with the proceeds of a Qualified Public Offering resulting in aggregate net proceeds of at least \$50.0 million.

**GAMING REDEMPTION.** The Notes are subject to mandatory disposition and redemption requirements following certain determinations by any Gaming Authority.

**CHANGE OF CONTROL.** Upon the occurrence of a Change of Control (as defined in the Indenture) of Holdings, the holders of the Notes have the right to require the Note Issuers to purchase their Notes at a price equal to 101% of the Accreted Value thereof, plus accrued and unpaid interest and Liquidated Damages,

if any, thereon to the date of purchase.

COVENANTS. The Indenture contains certain covenants that (subject to certain exceptions) restrict the ability of the Note Issuers and certain of their subsidiaries to, among other things: (i) make restricted payments; (ii) incur additional Indebtedness (as defined in the Indenture) and issue preferred stock; (iii) incur Liens (as defined in the Indenture); (iv) pay dividends or make other distributions; (v) enter into mergers or consolidations; (vi) enter into certain transactions with affiliates; or (vii) enter into new lines of business. See "Risk Factors."

EVENTS OF DEFAULT. The Indenture provides for customary events of default, including: (i) default for 30 days or more in the payment when due of interest on, or Liquidated Damages, if any, with respect to, the Notes; (ii) default in payment when due of the Accreted Value of or premium, if any, on the Notes; (iii) failure by the Note Issuers to comply with certain covenants; (iv) default under certain other indebtedness of Holdings or its restricted subsidiaries (subject to certain grace periods and minimum thresholds); (v) failure by Holdings or any of its restricted subsidiaries to pay certain final judgments; (vi) certain events of bankruptcy or insolvency with respect to Holdings or any of its significant subsidiaries; (vii) certain defaults

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under the Keep-Well Agreement which remain uncured for 180 days, or in the performance of the Noteholder Completion Guaranty; (viii) certain breaches by Holdings of the pledge agreements securing the Notes; (ix) the termination or unavailability of the Bank Credit Facility in certain circumstances prior to the date the Aladdin is Operating; (x) (a) failure of the Desert Passage to be Operating on or prior to 90 days after the date the Aladdin becomes Operating and (b) at any time thereafter and prior to the date on which the Desert Passage becomes Operating, the Company's fixed charge coverage ratio for its most recently ended four full fiscal quarters is not at least 1.75 to 1.0; (xi) after the Aladdin becomes Operating, revocation, termination, suspension or other cessation or suspension of gaming operations for a period of more than 90 days at the Aladdin; (xii) the failure of the Aladdin to be Operating by the Operating Deadline; (xiii) the transfer of the Aladdin Site as a result of the exercise of remedies by the Bank Lenders or the acceptance by the Bank Lenders of a deed in lieu of foreclosure; and (xiv) the transfer of the Common Membership Interests as a result of the exercise of remedies by the Bank Lenders in respect of the pledge of such Common Membership Interests pursuant to Bank the Lender's security documents.

REGISTRATION RIGHTS. Pursuant to a registration rights agreement (the "Note Registration Rights Agreement") dated as of February 26, 1998 between the Note Issuers and the Initial Purchasers, the Note Issuers agreed to (a) file within 45 days after the Issue Date with the Commission the Exchange Offer Registration Statement with respect to an offer to exchange the Notes (the "Exchange Offer") for new notes of the Note Issuers with terms substantially identical to the Notes (the "New Notes") (except that the New Notes generally will not contain terms with respect to restrictions on the resale or transfer thereof) and (b) use their reasonable best efforts to cause such Exchange Offer Registration Statement to become effective under the Securities Act within 150 days after the Issue Date. In the event that applicable law or interpretations of the staff of the Commission do not permit the Note Issuers to effect the Exchange Offer, or if certain holders of the Notes (having a reasonable basis to do so) notify the Note Issuers that they are not permitted to participate in, or would not receive freely traceable New Notes pursuant to, the Exchange Offer, the Note Issuers will use their reasonable best efforts to cause to become effective a registration statement (the "Shelf Registration Statement") with respect to the resale of the Notes. The Note Issuers, under certain circumstances, will be required to pay certain liquidated damages if the Note Issuers are not in compliance with certain of their obligations under the Note Registration Rights Agreement.

Contemporaneously with the filing of the Registration Statement with the Commission, the Note Issuers filed the Exchange Offer Registration Statement with the Commission relating to the Exchange Offer. The Note Issuers expect to complete the Exchange Offer in August, 1998.

For purposes of the Notes, "Accreted Value" means, (i) as of any date of determination prior to March 1, 2003, with respect to any Note, the sum of (a) the initial offering price (which shall be calculated by discounting the aggregate principal amount at maturity of such Note at a rate of 13 1/2% per annum, compounded semi-annually on each March 1 and September 1 from March 1, 2003 to the date of issuance) of such Note and (b) the portion of the excess of the principal amount of such Note over such initial offering price which shall have been accreted thereon through such date, such amount to be so accreted on a daily basis at a rate of 13 1/2% per annum of the initial offering price of such Note, compounded semi-annually on each March 1 and September 1 from the date of issuance of the Notes through the date of determination, computed on the basis of a 360-day year of twelve 30-day months and (ii) as of any date of determination on or after March 1, 2003, with respect to any Note, \$1,000.

LEASE FACILITY. The Company has entered into a lease facility (the "Lease Facility") with the FF&E Lender for the purpose of acquiring approximately \$60 million of new furniture and equipment (other than gaming equipment) for the Aladdin. The Lease Facility contains provisions as described herein and is structured as a lease intended for security (the "Lease"). The Company will be considered the owner of the Specified Equipment (as defined herein) for tax purposes and the lease will be treated as an operating lease for accounting purposes. The lease will commence on the date on which the Aladdin will be

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completed (the "Construction Completion Date" or the "Basic Lease Term Commencement Date") and will terminate three years from the Basic Lease Term Commencement Date (the "Basic Lease Term"), however, the Lease may be renewed up to two one-year renewals from the end of the Basic Lease Term (the "Renewal Lease Term").

Payments will be made quarterly, in arrears, calculated such that there will be 80% amortization of principal at the end of the Basic Lease Term and the maximum two Renewal Lease Terms. The remaining balloon payment will be twenty percent of the principal.

A lease rental factor (the "Lease Rental Factor") will be calculated to be 5.6639% of 100% of the Company's acquisition cost of the Specified Equipment up to \$60.0 million (the "Lease Funding Amount") per quarter. The Lease Rental Factor was calculated at an interest rate of 10.444% which represents a spread of 478 bps over the reserve adjusted 90-day LIBOR (the "Base Index") (5.9375%). Five days prior to the Basic Lease Term Commencement Date, the Lease Rental Factor will be adjusted and calculated on the basis of the floating rate Base Index plus the higher of (a) 478 bps, or (b) the weighted average spread used to calculate the interest rate on the Bank Credit Facility plus 125 bps, and such spread shall be maintained throughout the Basic Lease Term and any available Renewal Lease Terms. The Lease Rental Factor will be adjusted quarterly based on changes to the Base Index.

Subject to the satisfaction of the conditions precedent and to there being no default, the FF&E Lender will commence funding of deliveries of the Specified Equipment and/or the Gaming Equipment (as defined herein) beginning six months prior to the Construction Completion Date (the "Interim Funding Date").

An interim lease funding amount (the "Interim Lease Funding Amount") of up to \$60.0 million will be available, subject to no default then having occurred and continuing under the Company's financing, construction or other material agreements, and satisfaction of all conditions precedent to funding. Advances of the Interim Lease Funding Amount shall be made once per month during the Interim Funding Period. Any Interim Lease Funding Amount advanced under the Lease Facility shall be made under an interim schedule, which shall be converted to a final schedule under the Lease on the Basic Lease Term Commencement Date.

The interim lease repayment terms (the "Interim Lease Repayment Terms") will be floating rate interest-only payments due monthly in arrears during the period from the Interim Funding Date through the Construction Completion Date (the "Interim Funding Period") based on the Interim Lease Funding Amount. At the Company's option, interest will be calculated at either (a) the reserve adjusted 30-day LIBOR on the date of determination ("30-day LIBOR") plus the higher of (i) 478 bps, or (ii) the weighted average spread used to calculate the interest rate of the Bank Credit Facility plus 125 bps, or (b) the prime rate published in the Wall Street Journal on the date of the determination (the "Prime Rate") plus 275 bps, and such spread shall be fixed throughout the Interim Funding Period, and 30-day LIBOR or the Prime Rate will be adjusted monthly based on changes thereto.

Subject to certain provisions, at the end of the Basic Lease Term or any Renewal Lease term, the Company may (i) purchase all, but not less than all, of the Specified Equipment at a fixed purchase price, estimated to represent the Specified Equipment's then fair value, (ii) renew the Lease for all, but not less than all, of the Specified Equipment for up to two additional one-year terms, or (iii) return all, but not less than all, of the Specified Equipment to the FF&E Lender subject to certain return conditions, including payment of a contingent rental amount.

Upon termination of the Lease at the end of the Basic Lease Term or any Renewal Lease term, should the Specified Equipment be returned to the FF&E Lender by the Company, the FF&E Lender will calculate a contingent rental for the full lease term, on a quarterly basis, based on certain factors.

TERM LOAN FACILITY. The Company has entered into a \$20 million five year term loan facility (the "Term Loan Facility") with the FF&E Lender for the purposes of purchasing new gaming equipment for

the Aladdin. The Term Loan Facility contains terms as described herein. The term loan commencement date is the Construction Completion Date (the "Term Loan Commencement Date").

Payments shall be made quarterly, in arrears, calculated such that principal will be amortized as follows:

<TABLE>  
<CAPTION>

QUARTER	PERCENT AMORTIZATION
<S>	<C>
1-4	3.25
5-8	3.5
9-12	4.0
13-16	4.5
17-19	4.75
20	24.75

</TABLE>

The interest rate (the "Interest Rate") will be calculated five days prior to the Term Loan Commencement Date on the basis of the floating rate Base Index plus the higher of (a) 478 bps, or (b) the weighted average spread used to calculate the interest rate on the Bank Credit Facility on such date plus 125 bps, and such spread shall be maintained throughout the five year term. The Interest Rate will be adjusted quarterly, based on changes to the Base Index, if applicable.

An interim term loan funding amount (the "Interim Term Loan Funding Amount") of up to \$20.0 million will be available, subject to no default then having occurred and continuing under the Company's financing, construction or other material agreements and satisfaction of all conditions precedent to funding. Advances of the Interim Term Loan Funding Amount shall be made once per month during the Interim Funding Period. An Interim Term Loan Funding Amount advanced under the Term Loan Facility shall be evidenced by an interim promissory note, which shall be converted to a final promissory note on the Term Loan Commencement Date.

The interim term loan repayment terms (the "Interim Term Loan Repayment Terms") will be floating rate interest-only payments due monthly in arrears during the Interim Funding Period based on the Interim Term Loan Funding Amount. At the Company's option, interest will be calculated at either (a) the 30-day LIBOR plus the higher of (i) 478 bps, or (ii) the weighted average spread used to calculate the interest rate of the Bank Credit Facility plus 125 bps, or (b) the Prime Rate plus 275 bps, and such spread shall be fixed throughout the Interim Funding Period and 30-Day LIBOR or the Prime Rate will be adjusted monthly based on changes thereto.

SECURITY. The security interests granted by the Company will be a first priority security interest in a pool of new furniture and equipment (other than gaming equipment) (the "Specified Equipment"), and specified new gaming equipment including gaming devices such as slot machines, cashless wagering systems and associated equipment (the "Gaming Equipment"), and assignment of all improvements and/or additions to the Specified Equipment and the Gaming Equipment hereafter acquired. The Specified Equipment and the Gaming Equipment will be required to be free of all junior liens or encumbrances. Any and all existing and to be issued obligations of the Company shall acknowledge that the Term Loan Facility and the Lease Facility have a first priority lien on the Gaming Equipment and the Specified Equipment. During the Interim Funding Period, the Company shall assign to the FF&E Lender its rights under the purchase contracts for the Specified Equipment.

CONDITIONS PRECEDENT. The FF&E Financing is subject to customary conditions precedent.

COVENANTS AND EVENTS OF DEFAULT. Except for covenants related to the Specified Equipment or the Gaming Equipment, the covenants and events of default in the FF&E Financing are similar to those in the Bank Credit Facility. The disposition of collateral consisting of Gaming Equipment is subject to the requirements of the Nevada Act, including the approval of the Nevada Board or the licensing of the Lenders before foreclosure, taking possession or other disposition of such Gaming Equipment.

## BANK COMPLETION GUARANTY

London Clubs, the Trust and Bazaar Holdings (collectively, the "Guarantors") have entered into a guaranty of performance and completion (the "Bank Completion Guaranty") in favor of each of the Administrative Agent and the Bank Lenders. The Bank Completion Guaranty provides that the Guarantors jointly and severally guarantee to the Bank Lenders under the Bank Credit Facility, among other things (the "Guaranteed Obligations"), that:

- (i) the Company will promptly carry out the work required for the redevelopment of the Aladdin in accordance with the approved plans and specifications and to correct as soon as possible any material defect in such work or material deviation from the approved plans and specifications;
- (ii) the Company will punctually pay all costs, expenses and liabilities in connection with the redevelopment of the Aladdin, including all construction period interest incurred on the Bank Credit Facility, prior to completion of the work and in connection with cost overruns of any type;
- (iii) the Company will complete the redevelopment lien-free and on schedule;
- (iv) the Company will provide the expertise necessary to supervise the redevelopment of the Aladdin at no cost to the Bank Lenders;
- (v) in the event the Guarantors fail to pay their respective obligations under the Bank Completion Guaranty, the Bank Lenders may pay and perform the Guaranteed Obligations on behalf of the Guarantors, in which case the Guarantors, upon demand, must reimburse the Bank Lenders all cost, expenses and liabilities in connection with the completion of the redevelopment of the Aladdin; and
- (vi) the Guarantors shall pay the Bank Lenders all reasonable out-of-pocket costs and expenses of the Bank Lenders in connection with the enforcement of the Bank Lenders' rights and remedies under the Bank Completion Guaranty.

The Bank Completion Guaranty has (i) negative covenants which, among other things, prohibit the Guarantor from incurring certain liens and certain types of indebtedness and (ii) affirmative covenants which, among other things, require that each of the Guarantors provide certain financial information and maintain the corporate existence of each Guarantor and its subsidiaries.

Should certain London Clubs specified exceptional events (a "Specified Event") under the Bank Completion Guaranty occur, at the option of the required lenders, such Specified Event shall constitute an event of default under the Bank Completion Guaranty and consequently under the Bank Credit Facility, and the Bank Lenders, without any further notice to a Guarantor, shall be entitled to exercise all rights and remedies available under the Bank Completion Guaranty and any other Loan Documents.

The following is a summary of the Specified Events:

- (i) any time London Clubs fails to comply with certain covenants, including but not limited to financial covenants, in the Bank Completion Guaranty and to the extent such non-compliance is curable, such non-compliance is not cured within twenty-five (25) days;
- (ii) any borrowed money for a sum in excess of L2,500,000 or the equivalent in any other currency of London Clubs or any material subsidiary has by reason of breach or default become due and payable prior to its stated maturity or due date or if such borrowed money is not paid at the maturity thereof or due date therefor, or if payable on demand, is not paid on demand;
- (iii) London Clubs or any material subsidiary becomes insolvent or applies for or consents to the appointment of a liquidator, receiver or trustee in bankruptcy or similar official or London Clubs or any material subsidiary fails generally to pay its debts as and when they become due;

- (iv) a petition is presented (but only if such petition remains undischarged 90 days after presentation thereof) or a meeting is convened or an order is made or other action or proceedings are taken with a view to the appointment of an administrator, winding-up, liquidation or dissolution of

London Clubs or any material subsidiary or London Clubs or any material subsidiary stops or threatens to stop payments generally or ceases or threatens to cease to carry on its business or a substantial part thereof or London Clubs or any material subsidiary merges, consolidates or amalgamates with any other company or entity in a transaction not otherwise permitted under the L65,000,000 Facilities Agreement among, London Clubs, various banks and National Westminster PLC (the predecessor-in-interest to the The Bank of Nova Scotia) as arranger and agent;

(v) a distress, execution or other legal process is levied against any of the assets of London Clubs or any material subsidiary and is not discharged or paid out within 90 days, except where such distress, execution or legal process is in the reasonable opinion of the required lenders being contested in good faith by London Clubs or the relevant material subsidiary; or

(vi) an encumbrancer takes possession or a receiver or an administrative receiver is appointed of the whole or any substantial part of the assets or undertaking of London Clubs or any material subsidiary.

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#### CERTAIN MATERIAL AGREEMENTS

The following discussion summarizes the material terms of certain material agreements which have been entered into or are currently being negotiated between the Company (and/or the Controlling Stockholders) and various other parties. This summary does not purport to be complete and is qualified in its entirety by reference to the full agreements described herein once finalized and executed. Capitalized terms used but not otherwise defined in this Prospectus shall have the meaning ascribed to such terms in the agreement being described (unless otherwise indicated).

#### AGREEMENTS WITH RESPECT TO THE ALADDIN

##### HOLDINGS OPERATING AGREEMENT

The Holdings Members have entered into an operating agreement (the "Holdings Operating Agreement") setting forth their agreement as to the relationships between Holdings and the Holdings Members and among the Holdings Members themselves and as to the conduct of the business and internal affairs of Holdings. The following is a summary of certain key provisions of the Holdings Operating Agreement.

**PURPOSE.** Holdings was organized for the purposes of developing, constructing, financing, owning and operating hotels and casinos and related businesses and to engage in such other lawful enterprises as may be incidental or appurtenant thereto.

**CLASSES OF INTERESTS.** Holdings is capitalized with three classes of shares (which represent units of membership interests in Holdings): Common Shares (the "Holdings Common Membership Interests"), Series A Preferred Shares (the "Holdings Series A Preferred Interests") and Series B Preferred Shares (the "Holdings Series B Preferred Interests" and together with the Holdings Common Membership Interests and the Holdings Series A Preferred Interests, the "Holdings Interests"). Holdings' authorized capital stock consists of 10,000,000 Holdings Common Membership Interests, 1,500,000 Holdings Series A Preferred Interests and 1,500,000 Holdings Series B Preferred Interests.

Holdings will periodically distribute cash, to the extent available, to the holders of Holdings Common Membership Interests (or, if any such holder is a pass-through entity, its equity interest holders) to the extent of the increase in their cumulative United States federal, state or local income tax liability in respect of their interests in Holdings for such period and make any additional distributions of cash to Holdings Members that may be necessary to cover United States federal, state or local income taxes arising from the ownership of an interest in Holdings. No other distributions shall be made to any Holdings Interests until all distributions to cover tax liability in respect of any Holdings Interests for such period have been made.

The Holdings Series A Preferred Interests will be issued to LCNI or Sommer Enterprises in consideration for any payment required pursuant to the Bank Completion Guaranty, the Noteholder Completion Guaranty or the Keep-Well Agreement (or a payment to the Company to cover any EBITDA shortfall under the Bank Credit Facility) which is made by Sommer Enterprises, LCNI or their respective affiliates to the Company where such payment is not required to be made to pay down the Company's bank debt pursuant to Section 13 of the Keep-Well Agreement. Except for distributions to cover any tax liability in respect of any Holdings Interests, the Holdings Series A Preferred Interests will have a distribution, redemption and liquidation preference over all Holdings Common Membership Interests and Holdings Series B Preferred Interests. To the extent of any net profits left to be allocated after special allocations, the capital account in respect of the Holdings Series A Preferred Interests will cumulate

and compound semi-annually at the rate of 12% per annum on the capital account balance in respect thereof at the time of compounding and, subject to the limitations on Restricted Payments set forth in the Indenture, will be paid when a supermajority of the Holdings Board determines that there is sufficient cash available to do so. Holdings Series A Preferred Interests will be automatically redeemed when distributions have been made to the extent of the capital account balance in respect thereof. Should Holdings liquidate at any time prior to the redemption of the Holdings Series A Preferred Interests, the Holdings Series A Preferred Interests will be entitled to a distribution of cash, to the extent available, before any distributions are made

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to the Holdings Series B Preferred Interests or Holdings Common Membership Interests, in an amount equal to the capital account of the Holdings Series A Preferred Interests.

The Holdings Series B Preferred Interests will be issued to LCNI in the event of and in exchange for a payment required by London Clubs to pay down the Company's bank debt pursuant to Section 13 of the Keep-Well Agreement. Except for distributions to cover any tax liability in respect of any Holdings Interests, the Holdings Series B Preferred Interests will have a distribution, redemption and liquidation preference over all Holdings Common Membership Interests. To the extent of any net profits left to be allocated after special allocations and allocations to Holdings Series A Preferred Interests, the capital account in respect of Holdings Series B Preferred Interests will cumulate and compound quarterly at a rate equal to the rate on the bank debt of the Company which was paid down by the payment required pursuant to the Keep-Well Agreement, such rate to be applied to the capital account balance in respect of the Holdings Series B Preferred Interests at the time of compounding and, subject to the limitations on Restricted Payments set forth in the Indenture, will be paid when a supermajority of the Holdings Board determines that there is sufficient cash available to do so after all Holdings Series A Preferred Interests have been redeemed. Holdings Series B Preferred Interests will be automatically redeemed when distributions have been made to the extent of the capital account balance in respect thereof. Should Holdings liquidate at any time prior to the redemption of the Holdings Series B Preferred Interests, the Holdings Series B Preferred Interests will be entitled to a distribution of cash, to the extent available, before any distributions are made to the Holdings Common Membership Interests, in an amount equal to the capital account of the Holdings Series B Preferred Interests.

Other than distributions to cover any tax liability in respect of any Holdings Interests, the Holdings Common Membership Interests will be entitled to distributions only after all discretionary and mandatory distributions have been made to all other interests in Holdings.

The Indenture contains restrictions on the payment of distributions to the Holdings Interests.

Distributions to all Holdings Interests are payable only out of the assets of Holdings at the time of such distribution, and in no event shall any holder of an interest in Holdings be obligated to make a contribution to Holdings for the payment of distributions.

Except for matters affecting rights of the holders of Holdings Series A Preferred Interests and Holdings Series B Preferred Interests to distributions, including upon redemption, (which may not be diminished or affected without the vote of the holders of at least two-thirds of the issued and outstanding shares of the affected class) and matters affecting the anti-dilution protections, rights to move their investment directly into Holdings in certain circumstances and tag-along participation rights of the holders of the Warrants and the Warrant Shares (which may not be amended without the consent of the Issuer), all management and voting rights are vested in the Holdings Common Membership Interests.

ADJUSTMENTS IN INTERESTS. Subject to the receipt of applicable Gaming Approvals, the percentages of the Holdings Common Membership Interests held directly by each Holdings Member (each, a "Holdings Percentage Interest") will be adjusted by the issuance of additional Holdings Common Membership Interests and/or cancellation of issued and outstanding Holdings Common Membership Interests in the following circumstances:

(i) on the opening date of the Aladdin (the "Opening Date") LCNI's Holdings Percentage Interest shall be decreased by 0.5% and Sommer Enterprises' Holdings Percentage Interest shall be increased by 0.5%;

(ii) in the event of defaults in payment of a Holdings Member's or its Affiliates' share of payments required pursuant to the Keep-Well Agreement (or payments to the Company to cover any EBITDA shortfall under the Bank Credit Facility), the defaulting Holdings Member's Holdings Percentage Interest shall be reduced and the non-defaulting Holdings Member's Holdings Percentage Interest shall be increased by 1, 1.5 or 2 times (depending on

Member is in default for 30 days, 45 days or 60 days from the date of such default) multiplied by a dilution fraction, the numerator of which is the delinquent contribution and the denominator of which is \$200 million;

(iii) upon the exercise of any Warrants, the relative Holdings Percentage Interests of all Holdings Members other than LCNI and the Issuer will be adjusted so that all such Holdings Members share proportionately the dilutive effect of such exercise on their directly and indirectly held Holdings Percentage Interests (unvested Holdings Common Membership Interests will also be adjusted thereupon);

(iv) upon any adjustment of the Issuer's Holdings Percentage Interest pursuant to the Warrant Agreement (which may occur in the event of: dividends or distributions by Holdings; subdivisions or combinations of Holdings Common Membership Interests; issuance of Holdings Common Membership Interests or any rights to purchase Holdings Common Membership Interests for less than fair value; and similar events that typically trigger anti-dilution protection adjustments for holders of warrants), the Holdings Percentage Interest of the Holdings Members other than the Issuer will be correspondingly adjusted to accommodate such adjustment in the Issuer's Holdings Percentage Interest, so that all such Holdings Members share proportionately the effect of such adjustment on their directly and indirectly held Holdings Percentage Interest (unless such Holdings Members agree to some other arrangement for sharing such effect); and

(v) Upon vesting of any Restricted Membership Interests, the Percentage Interests of LCNI and Sommer Enterprises shall be reduced so that LCNI bears 25% of the dilutive effect thereof (assuming that no adjustments of the type described in (iii) above have occurred) and Sommer Enterprises bears all the remaining dilutive effect thereof, and their capital amounts shall be correspondingly reduced to accommodate the capital account of the new member.

In certain circumstances provided in the Equity Participation Agreement, the holders of Warrants and Warrant Shares will have the right to move their investment directly into Holdings, in which event the Percentage Interest of the Issuer will be reduced to accommodate such interest.

**SPECIAL CAPITAL ACCOUNT ADJUSTMENT.** Upon the redemption of any Notes by Holdings, upon receipt of applicable Gaming Approvals, Sommer Enterprises' capital account in Holdings in respect of its Holdings Common Membership Interests will be reduced by the product of LCNI's Holdings Percentage Interest at the time of such redemption multiplied by the Accreted Value on the Issue Date of the Notes being redeemed and LCNI's capital account shall be increased by the same amount.

**SUPERMAJORITY APPROVALS.** The following actions by Holdings or the Company will require approval of the holders of at least 80% of the Holdings Common Membership Interests:

(i) the admission of a new Holdings Member, the acceptance of any capital contributions not provided for in the Holdings Operating Agreement, the Bank Completion Guaranty, the Noteholder Completion Guaranty, the Keep-Well Agreement or the Contribution Agreement (as defined in the Holdings Operating Agreement), or the issuance of additional shares or securities of Holdings convertible into or exchangeable for shares or the granting of any options or other rights to acquire from Holdings, or other obligation of Holdings to issue, any shares or securities convertible into or exchangeable for shares (other than in respect of the matters referred to in item (xvi), below); (ii) other than distributions by subsidiaries of Holdings or Priority Distributions to Holdings Common Membership Interests or distributions to cover any tax liability in respect of any Holdings Interests, any declaration, setting aside or payment of any distribution; (iii) any voluntary dissolution or liquidation of Holdings or the Company or the sale of all or substantially all of the assets of Holdings and the Company; (iv) any merger or consolidation of Holdings with any person; (v) any amendment to the articles of Holdings or the Holdings Operating Agreement; (vi) (A) during the period that the Keep-Well Agreement is in force, the creation, incurrence, assumption or guarantee of any indebtedness (excluding obligations under leases made in the ordinary course of business) and (B) after the

Keep-Well Agreement is no longer in force, the creation, incurrence, assumption or guarantee of any indebtedness (excluding obligations under leases made in the ordinary course of business) in excess of \$10 million in any individual transaction (such threshold limit to be increased at the end of each fiscal year by an amount determined by the Holdings Board to

correspond to increases in consumer prices in the United States for such fiscal year); (vii) the creation of any lien, pledge or other security interest in assets of Holdings or any subsidiary of Holdings securing indebtedness of any third party which is not for the benefit of any business carried on by Holdings or the Company; (viii) the commencement of a voluntary case under Title 11 of the United States Code entitled "Bankruptcy" (the "Bankruptcy Code") or any other voluntary proceeding under any debtor relief laws or any voluntary general assignment for the benefit of creditors; (ix) any material transactions (other than transactions provided for in Sections 6.7(a) or 6.9 of the London Clubs Purchase Agreement) between Holdings or the Company, on the one hand, and any Holdings Member or any affiliate of any Holdings Member, on the other hand; (x) any entry into any new business opportunity unrelated to the Aladdin; (xi) the appointment or removal of Holdings' independent auditors; (xii) any material amendment to, or any material waiver under, the Bazaar Lease (such consent not to be unreasonably withheld); (xiii) any material amendment to, or any material waiver under, the Reciprocal Easement Agreement (such consent not to be unreasonably withheld); (xiv) any arrangement or agreement for Holdings to pay a salary to any Holdings Member or any affiliate of any Holdings Member (other than pursuant to the Consulting and Employment Agreements and other than in respect of the matters referred to in (xvi), below); (xv) the employment of any member of an Executive Management Committee (as defined herein) of Holdings or the Company or any material amendment to the terms of employment of any such person; (xvi) the adoption of, or any material amendment to, any employee benefit, profit sharing, incentive, bonus, pension, retirement or employee stock option plans (such consent not to be unreasonably withheld in the context of industry practice); (xvii) any license of the Aladdin trademark to any person other than a subsidiary of Holdings or in connection with the Complex and the operations in respect thereof (such consent not to be unreasonably withheld); (xviii) any contract (including leases) outside the ordinary course of business or for capital expenditure not included in Holdings' annual budgets (such consent not to be unreasonably withheld); and (xix) the initiation or settlement of any material litigation outside the ordinary course of business and the selection of counsel therefor (such consent not to be unreasonably withheld).

Unless London Clubs has appointed a majority of the Holdings Board, the above supermajority approval rights will cease in the event that London Clubs is bankrupt or responsible for an event of default under the Keep-Well Agreement, the Bank Completion Guaranty or the Noteholder Completion Guaranty.

London Clubs will also have broad approval and consultation rights in respect of material contracts and decisions relating to the Redevelopment (as defined in the Holdings Operating Agreement), including (without limitation) relating to certain aspects of the construction phase of the Aladdin, the Mall Project and the Music Project.

**MANAGEMENT.** The business and affairs of Holdings are managed by the Holdings Board, which holds Board meetings at least quarterly. Holdings' Board consists of three nominees of the Issuer and two nominees of London Clubs, each of which shall serve for a 3 year term unless they resign, are removed or are otherwise disqualified to serve at an earlier time. The initial members of the Holdings Board (the "Holdings Board Members") are Jack Sommer, Ronald B. Dictrow and Richard J. Goeglein as appointees of the Issuer and Alan L. Goodenough and G. Barry C. Hardy as appointees of London Clubs. Jack Sommer is Chairman of the Holdings Board. A Holdings Board Member appointed by London Clubs and a Holdings Board Member appointed by the Issuer will have the right to be on each committee of the Board. The Holdings Board Members may be removed at any time by their appointing Holdings Member. In the event of a vacancy on the Holdings Board, the Holdings Member who appointed the previous Holdings Board Member shall appoint the new Holdings Board Member.

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In certain circumstances related to (i) a failure to make its share of payments under the Bank Completion Guaranty and the Keep-Well Agreement, or (ii) the requirement to make a certain level of payments under the Keep-Well Agreement (other than payments caused by certain losses of the Salle Privee), whether or not London Clubs and Sommer Enterprises each pay their share of such payments, Sommer Enterprises shall cause the Issuer to change the composition of Holdings' Board by the appointment of new Holdings Board Members designated by the non-defaulting Holdings Member and/or the removal of Holdings Board Members appointed by the defaulting Holdings Member and/or the appointment of a new independent Board Member designated by the non-defaulting Holdings Member. If a Holdings Member holding a majority of Holdings Common Membership Interests has defaulted in its payment obligations under the Keep-Well Agreement, the Bank Completion Guaranty or the Noteholder Completion Guaranty, London Clubs and Sommer Enterprises also will be required to vote all Holdings Common Membership Interests owned or controlled by them so that they have equal voting power as Holdings Members.

The Holdings Members will agree to take all necessary action to ensure that

each Holdings Member shall have identical rights to those they have in respect of Holdings with respect to the board of management (or comparable bodies) and management of the Company.

**TRANSFERS OF SHARES.** Except for transfers pursuant to the Loan Documents, transfers of Holdings Common Membership Interests are only permitted:

(i) to affiliates of the transferring Holdings Member or persons approved by all Holdings Members holding Holdings Common Membership Interests;

(ii) to persons other than certain prohibited transferees after giving other Holdings Members holding Holdings Common Membership Interests a right of first refusal and the right to tag-along ratably; and

(iii) in some circumstances related to estate planning by Holdings Members.

Certain transfers in ownership interests in Holdings Members holding Holdings Common Membership Interests and in any entity owning a majority of a Holdings Member (other than London Clubs) holding Holdings Common Membership Interests are also prohibited without first affording the other Holdings Members holding Holdings Common Membership Interests a right of first refusal over such Holdings Member's Holdings Common Membership Interests. The exercise and transfer of Warrants or the transfer of Warrant Shares will not be restricted by this provision.

Holdings or its nominee have the right to call a Holdings Member's Holdings Common Membership Interests (but not the Holdings Common Membership Interests held by Enterprises) at seventy-five percent of the fair market value of such Holdings Common Membership Interests if there is (i) a change in control of such Holdings Member, other than a permitted transfer of an ownership interest in a Holdings Member as described above or a change in control of London Clubs, (ii) a transfer of Holdings Common Membership Interests by such Holdings Member in breach of the Holdings Operating Agreement or (iii) a breach by such Holdings Member of the non-compete covenants described below.

**INITIAL PUBLIC OFFERING.** The Holdings Operating Agreement provides that the Holdings Members anticipate executing an initial public offering ("IPO") as soon as it is commercially reasonable to do so after the Opening Date. Sommer Enterprises and LCNI have rights to demand an IPO if one has not occurred within 3 years of the Opening Date, although Sommer Enterprises may defer such a demand by LCNI for up to a year. The members or stockholders of the IPO entity immediately prior to the IPO will enter into a Stockholders and Registration Rights Agreement substantially in the form scheduled to the Holdings Operating Agreement providing for arrangements between such members or stockholders as to certain management matters, transfer restrictions, tag along rights and registration rights.

If permitted by law and market requirements, LCNI and Sommer Enterprises have rights to acquire additional Holdings Common Membership Interests (or their equivalents in an IPO Entity) as part of or prior to an IPO at a price based on the IPO price discounted to reflect the absence of underwriting fees and costs. LCNI also has rights to effect purchases from Holdings or Sommer Enterprises to maintain a Percentage Interest of 20% or more.

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**LIABILITY, EXCULPATION AND INDEMNIFICATION.** The Holdings Operating Agreement contains provisions relieving members, officers, employees and the Holdings Board Members and those of Holdings' subsidiaries from certain liability, fiduciary duties and conflicts and will also provide for various indemnities to such persons, payment of expenses and provision of errors and omissions insurance.

**GAMING MATTERS.** Admission of new Holdings Members, transfers of Holdings Interests and payment of distributions by Holdings will be subject to receipt of Nevada Gaming Approvals. Holdings Members and their affiliates, directors and employees will cooperate to obtain applicable Gaming Approvals from the Nevada Gaming Authorities, as necessary. If Nevada gaming problems arise prior to a finding of unsuitability by the Nevada Gaming Authorities, a Holdings Member causing such problem (or whose director, officer or affiliate caused such problem) shall cooperate to remedy it, and, if not remedied, may be forced to sell its Holdings Common Membership Interests to Holdings or its nominee at fair market value.

**NON-COMPETE.** LCNI and Sommer Enterprises have agreed that they and their affiliates will refrain from certain competitive activities (with appropriate geographic and temporal limitations and exceptions for certain existing activities of their affiliates), unless Holdings (without the participation of the Holdings Member affected or its nominee Holdings Board Members) has first refused to pursue such activities.

**TERM.** Holdings shall continue until December 1, 2097, or such other time as agreed in writing by all Holdings Members. In the event of the death or

bankruptcy of a Holdings Member, Holdings and the other Holdings Members will have certain rights to purchase such bankrupt or deceased member's Holdings Common Membership Interests.

#### COMPANY OPERATING AGREEMENT

Holdings and the Company have entered into an operating agreement (the "Company Operating Agreement") which sets forth provisions governing the conduct of the business and internal affairs of the Company. The following is a summary of certain key provisions of the Company Operating Agreement.

**PURPOSE.** The Company was organized for the purposes of developing, constructing, financing, owning and operating hotels and casinos and related businesses and to engage in such other lawful enterprises as may be incidental or appurtenant thereto.

**CLASSES OF INTERESTS.** The Company is capitalized with two classes of shares (which represent units of membership interests in the Company): Common Membership Interests and Series A Preferred Interests. The Company's authorized capital stock will consist of 10,000,000 Common Membership Interests and 1,150,000 Series A Preferred Interests.

The Series A Preferred Interests have a distribution, redemption and liquidation preference over the Common Membership Interests. Beginning in the sixth year after the initial issuance of the Series A Preferred Interests, periodic distributions of cash, to the extent available, will be made by the Company first to the Series A Preferred Interests in an amount equal to the interest payable on the Notes for such period and, prior to the end of the twelfth year after the issuance of the Series A Preferred Interests, the Company will distribute cash, to the extent available, in redemption of the Series A Preferred Interests in an amount equal to their redemption preference. The redemption preference of the Series A Preferred Interests will accrete so that such preference will, at all times, equal the Accreted Value of the Notes (plus any premium payable to the holders of the Notes). In addition, should the Company liquidate at any time prior to the redemption of the Series A Preferred Interests or should all or any part of the Series A Preferred Interests be redeemed prior to the end of the twelfth year after their issuance as a result of the Change of Control Payment, the Series A Preferred Interests shall be entitled to a distribution of cash, to the extent available, before any distributions are made to any other classes of Interests, in an amount equal to their liquidation preference which will accrete so that such preference at all times equals the Accreted Value of the Notes (plus any premium payable to the holders of the Notes) at such time.

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After all discretionary or required distributions of cash are made to the Series A Preferred Interests for any period, the Company will distribute cash, to the extent available, to the holders of Common Membership Interests to the extent of the increase in the cumulative United States federal, state or local income tax liability of such holders of Common Membership Interests (or, if any such holder is a pass-through entity, its equity interest holders) in respect of their interests in the Company for such period and make any additional distributions of cash to Members that may be necessary to cover United States federal, state or local income taxes arising from ownership of an interest in the Company ("Company Tax Distributions").

After distributions to the Series A Preferred Interests and Company Tax Distributions, the Board will make a priority distribution of cash, to the extent available, on the Common Membership Interests to permit Holdings to satisfy any additional obligations it may have to make payments on the Notes ("Priority Distributions to Common Interests").

**MANAGEMENT.** The business and affairs of the Company are managed by the Company's Board. Pursuant to the Holdings Operating Agreement, the Holdings Members will have identical rights with respect to the Company's Board and management as they have in respect of the Holdings Board and management.

The Company's Board is responsible for establishing and overseeing all policies and procedures in connection with the operation of the Company's business, but shall delegate the day-to-day management responsibility to an executive management committee (the "Executive Management Committee"). The Executive Management Committee includes the following persons: the President and Chief Executive Officer of the Company, the Chief Financial Officer of the Company, the Senior Vice President of the Company who is the President and Chief Operating Officer of the Aladdin, the Senior Vice President of the Company who is the President and Chief Operating Officer of the Music Project and Casino, the Senior Vice president Human Resources of the Company, the Senior Vice President Electronic Gaming of the Company and the Managing Director of the Salle Privee.

**LIABILITY, EXCULPATION AND INDEMNIFICATION.** The Company Operating Agreement contains provisions relieving members, officers, employees and the members of

the Company's Board ("Company Board Members") and those of the Company's subsidiaries from certain liability, fiduciary duties and conflicts and will also provide for various indemnities to such persons, payment of expenses and provision of errors and omissions insurance.

TERM. The Company shall continue until January 24, 2097, or such other time as agreed in writing by all Company Members.

#### EQUITY PARTICIPATION AGREEMENT

The Issuer, Sommer Enterprises, LCNI and the Warrant Agent, for and on behalf of the holders of the Warrants and the Warrant Shares, have entered into an agreement (the "Equity Participation Agreement") under which (a) the parties agreed that they will not effect a public offering of common stock of any IPO Entity unless LCNI, Sommer Enterprises and the holders of the Warrants and Warrant Shares each are given the right to hold their respective equity interests in the IPO Entity; (b) the Issuer agreed that prior to any such public offering (or if the Issuer is the IPO Entity, at all times), it will not become an "investment company" (as that term is defined in the Investment Company Act of 1940, as amended) required to register under that Act (c) the parties granted the holders of the Warrant Shares certain rights to participate in the tag along arrangements under the Holdings Operating Agreement and agree to effect certain adjustments to the percentage ownership of Holdings Common Membership Interests and certain redemptions of Warrant Shares to give effect to such tag along rights, as described below and (d) the Warrant holders will have the right to convert their Warrant Shares into Common Membership Interests in the Company in the event that the Issuer takes certain actions, including certain mergers or consolidations, disposition of all or substantially all of the Issuer's assets, transfers of Issuer's Holdings Common

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Membership Interests, certain recapitalizations of Issuer, voluntary dissolution or liquidation of Issuer, repurchases of Issuer's stock which is not pro-rata among the stockholders, and certain issuances of Issuer's stock.

Pursuant to the Equity Participation Agreement, holders of Warrant Shares are entitled to cause the Issuer to partially exercise its rights to participate in certain sales by Holdings Members of Holdings Common Membership Interests to a non-affiliated party. The proceeds of any such sale of Holdings Common Membership Interests by the Issuer will be used to redeem the Common Stock in the Issuer of such holders who elected to exercise such rights.

Holders of Warrants and Warrants Shares should note, however, that under the Indenture certain sales of Holdings Common Membership Interests could constitute a change of control under the Indenture. In that event, Holdings would be required to redeem the Notes at a redemption price equal to 101% of their Accreted Value.

#### SALLE PRIVEE MANAGEMENT AGREEMENT

The Company, London Clubs and a subsidiary of London Clubs, LCNI, are parties to the Salle Privee Management Agreement in respect of the Salle Privee. Under such agreement, LCNI will (a) provide advice and consulting services regarding the development and fitting out of the Salle Privee, (b) provide certain worldwide marketing and promotional services in relation to the Salle Privee and (c) direct the operations of the Salle Privee in accordance with certain policies and procedures developed by LCNI in consultation with the Company, and in accordance with the Company's budgets and marketing plans. Under such agreement, London Clubs has agreed to guaranty the obligations of LCNI.

OPERATIONS AND MANAGEMENT. Under the Salle Privee Management Agreement, LCNI will direct the operations of the Salle Privee in consultation with the Executive Management Committee of the Company. LCNI will also provide worldwide marketing and promotional services targeted at its international clientele, including a plan for cross-marketing the Salle Privee with London Clubs' and its affiliates' other gaming facilities throughout the world.

CREDIT MANAGEMENT/GAMING LIMITS. The Salle Privee will be subject to the Company's financial control facilities and credit management will be administered by the Company's central credit oversight committee, in consultation with LCNI. Basic risk management policies regarding gaming limits and credit facilities for the Salle Privee will be established by the Company's Board based upon the input and recommendations of LCNI. LCNI will have the right to permit certain clientele from time to time to exceed the normal wagering limits. In consideration for such flexibility, LCNI has agreed to reimburse the Company for any net losses suffered by the Company in connection with such above-limit wagering.

LONDON CLUBS FEE. In consideration for the services to be furnished by London Clubs under the Salle Privee Management Agreement, the Company will pay to London Clubs an Incentive Marketing and Consulting Fee calculated as follows: (i) 10% of the Salle Privee EBITDA (defined in the Salle Privee Management

Agreement as gross revenues attributable to the Salle Privee, less all costs and expenses directly attributable to the Salle Privee), up to and including \$15.0 million in Salle Privee EBITDA; plus (ii) 12.5% of the Salle Privee EBITDA, in excess of \$15.0 million, up to and including \$17.0 million; plus (iii) 25% of the Salle Privee EBITDA, in excess of \$17.0 million, up to and including \$20.0 million; plus (iv) 50% of the Salle Privee EBITDA, in excess of \$20.0 million. The foregoing thresholds will be adjusted in accordance with consumer price index changes every five years.

TERM. The term of the Salle Privee Management Agreement is sixty-nine (69) years unless terminated earlier by either party after the other's default, in connection with Nevada or United Kingdom gaming problems, by mutual agreement, by a party upon London Clubs, LCNI's or the Company's bankruptcy or upon LCNI no longer having an equity interest in Holdings.

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#### LONDON CLUBS PURCHASE AGREEMENT

Pursuant to an Amended and Restated Purchase Agreement dated as of February 26, 1996 by and among London Clubs, LCNI, AHL, Sommer Enterprises, the Trust and the Company (the "London Clubs Purchase Agreement") LCNI acquired 25.0% (subject to adjustment pursuant to the Holdings Operating Agreement as described above) of the Holdings Common Membership Interests for a purchase price of \$50.0 million.

The Music Project is expected to be developed and owned by Aladdin Music. Pursuant to the London Clubs Purchase Agreement, London Clubs, through its wholly owned subsidiary LCNI, has agreed that so long as Aladdin Music obtains financing for the Music Project on terms satisfactory to LCNI, and provided that certain other conditions are met, Aladdin Music may develop and own the Music Project in accordance with the terms described herein. If such conditions are not met, LCNI has the right to select the method in which it will participate in the Music Project, if at all. See "Risk Factors--Completion of the Mall Project and the Music Project."

Pursuant to the London Clubs Purchase Agreement, the Company has reimbursed the Trust on the Issue Date \$3 million for certain costs relating to the development of the Aladdin incurred by the Trust during 1996 and 1997 and has agreed to reimburse the Trust for out of pocket expenses of the Trust related to the development of the Aladdin after the Issue Date not to exceed \$900,000.

In consideration for its obligations under the Keep-Well Agreement and related arrangements, under the London Clubs Purchase Agreement, the parties have agreed that London Clubs will receive (a) an initial fee of 1.0% of a \$265.0 million portion of the Company's bank debt which is supported and enhanced by the Keep-Well Agreement (such fee to be payable on the closing date of the Bank Credit Facility), and (b) an annual fee of 1.5%, payable in arrears, of the Company's annual average indebtedness with respect to a \$265.0 million portion of the Company's bank debt which is supported and enhanced by the Keep-Well Agreement for each relevant twelve month period ending on an anniversary of the Bank Closing Date, which amount shall reflect the extent, if any, by which the obligations under the Keep-Well Agreement are reduced or eliminated over time (such fees shall accrue from the closing date of the Bank Credit Facility and shall be paid from available proceeds after the opening date of the Aladdin).

#### DESIGN/BUILD CONTRACT

OVERVIEW. The Company and the Design/Builder have entered into the Design/Build Contract for the design and construction of the Aladdin, the strip facade and related retail space of the Mall Project (the "Work") for a guaranteed maximum price ("GMP"). The GMP is guaranteed by the Design/Builder to be a maximum of \$267.0 million. The GMP includes the Design/Builder's Fee (as defined in the Design/Build Contract), the cost of the Design/Builder's Controlled Insurance Program ("CIP") and the Design/Builder's costs necessarily incurred by Design/Builder in the proper performance of its design/build obligations under the Design/Build Contract (such costs collectively, the "Costs"). The Design/Builder's Fee shall be the lesser of (a) the lump sum fixed amount of \$13.6 million and (b) 6.5% of the aggregate of all trade subcontracts plus the price of any trade work performed by the Design/Builder. The Design/Builder's General Conditions Costs shall not exceed the total sum of \$22.0 million. Any costs incurred in excess of \$22.0 million are nonreimbursable and will be paid by the Design/Builder. The Costs shall not be higher than prices and rates approved in advance by the Company, unless the Design/Builder has received the Company's prior written consent to incur premium expenses. The Costs include only: (i) labor costs for the Design/Builder in connection with the Work; (ii) trade subcontract costs; (iii) costs of materials and equipment incorporated in the completed construction; (iv) costs of other materials and equipment, temporary facilities and related items; (v) miscellaneous costs, such as premiums for insurance not covered by the CIP, but required by the Design/Build Contract, sales, use or similar taxes, fees and assessments associated with permits, licenses and inspections that are the responsibility of

the Design/Builder; (vi) other costs incurred in the performance of the Work and to the extent approved in advance in writing

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by the Company; and (vii) costs associated with emergency repairs to damaged, defective or nonconforming Work.

As an incentive to control costs, the Company has agreed to pay the Design/Builder 60% of the aggregate net savings made by the Design/Builder in incurring costs below the trade budget of \$230.0 million with respect to labor, equipment and materials from the various subcontractors and vendors performing work under the Design/Build Contract. The Design/Builder will be liable for any costs exceeding the GMP, unless the Company changes the scope of the Work. If the Company requests certain changes to the scope of the Work, then pursuant to the Bank Completion Guaranty, the Trust, Bazaar Holdings and London Clubs have jointly and severally agreed, whenever there is a construction cost increase caused by any such change, and subject to certain qualifications, to contribute cash to the Company to fund such increases.

COMPENSATION FOR EARLY/LATE COMPLETION. In lieu of the Company procuring, at the Design/Builder's cost, a liquidated damages insurance policy or a business interruption insurance policy to compensate the Company for late completion of the Work, the Company has paid the Design/Builder \$2.0 million as a bonus advance (the "Bonus Advance"). The Design/Builder may use the Bonus Advance to buy liquidated damages insurance or it may choose to self-insure. In either event, the Design/Builder can keep the Bonus Advance if the project is finished on or before the date set for Substantial Completion. The Substantial Completion Date (as defined in the Design/Build Contract) is 790 calendar days from either January 12, 1998 or the date notice to proceed is received from the Company, whichever is later. Said period is referred to in the Design/Build Contract as the "Contract Time" and may only be adjusted in accordance with the Design/Build Contract. As a further bonus, the Design/Builder shall be entitled to receive \$100,000 for each day, up to but not to exceed 90 days, that the Work is substantially completed in advance of the date of Substantial Completion.

If the Design/Builder fails to achieve Substantial Completion of the Work within the Contract Time, the Design/Builder must pay back the \$2.0 million Bonus Advance to the Company. Furthermore, the Design/Builder must pay the Company, as liquidated damages, \$100,000 per day starting on the first day after the Substantial Completion date and continuing up to, but not exceeding, 90 days thereafter.

PAYMENT. The Design/Builder must make an itemized application for payment, on or about the 25th day of each month, based on an approved schedule of values certified by the Design/Builder and ADP and supported by such data to substantiate the Design/Builder's right to payment. Simultaneously with each payment the Design/Builder must and must cause all subcontractors and vendors to waive their mechanics lien rights for the labor, equipment and materials covered by the payments made to the Design/Builder. The Design/Builder agrees to pay when due all bills for labor, materials, equipment or services connected with the Work. If a person or entity who provided any service, labor, equipment or materials to the Design/Builder in connection with the Complex files a lien against the Company's property, the Design/Builder shall promptly bond the lien with a legally sufficient undertaking. The Company may also deduct the amount of the lien from any payments due to the Design/Builder until such lien is bonded or otherwise discharged. The Company is entitled to retain 10% of all monies due to the Design/Builder under the monthly applications for payment (excluding the Design/Builder's fee and General Conditions) until the Work is 50% complete. The Design/Builder may, at its sole cost and expense, substitute an irrevocable letter of credit for any retainage held by the Company or on the Company's behalf.

WARRANTIES AND GUARANTEES. The Design/Builder's construction warranties and/or guarantees extend for one year after the Substantial Completion date. The Design/Builder guarantees that its construction workmanship shall conform to good construction practices applicable to projects of this type and that the Work shall comply with the Design/Build Contract requirements, all applicable laws, codes and regulations. The Design/Builder also guarantees that all materials, equipment and supplies incorporated into the Work will be new, of the best quality of the kind specified in accordance with industry standards, and shall be fit for its intended purpose. Furthermore, the Design/Builder warrants that: (i) the Design/Builder and

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its subcontractors are experienced, qualified and, where required by law, licensed to perform their respective portions of the Work; and (ii) the design of the Work will be in accordance with all agreed upon requirements, and all applicable federal, state and local codes, rules, ordinances and regulations. The Design/Builder agrees to prosecute the enforcement of all subcontractor and vendor warranties at its sole costs and expense during the one year period after the Substantial Completion Date. The Design/Builder shall assign to the Company

all subcontractor or vendor warranties and/or guarantees still surviving and in effect more than one year after the Substantial Completion Date. The Design/Builder's warranties and/or guarantees exclude damages or defects caused by modifications to the Work directed by the Company and not performed by the Design/Builder or its subcontractors, if the modifications to the Work were performed without the knowledge and written consent of the Design/Builder. The Design/Builder's warranty shall not apply to damages or defects caused by ordinary wear and tear, insufficient maintenance, improper operation or improper use by the Company.

INSURANCE. The Company and the Design/Builder have elected to implement the CIP whereby the Company shall pay the Design/Builder for all associated premiums to provide the following insurances: General Liability, Workers' Compensation, Excess Liability, Contractual Liability and All Risk Builder's Risk for the Company, the Design/Builder and all subcontractors of every tier. The Design/Builder agreed that, where necessary or requested, each policy it procures will identify the Company as either a Named Insured or an Additional Insured and must contain full waivers of subrogation. The following is a synopsis of the coverage for each of the required policies:

- WORKERS' COMPENSATION. The Workers' Compensation policy covers liability imposed by the workers' compensation and/or occupational disease statute of the State of Nevada and any other state or governmental authority having jurisdiction or related to the Work being performed. Employers' liability is limited to \$1.0 million bodily injury per accident per employee, \$1.0 million bodily injury per disease per employee and \$1.0 million policy limit by disease. The extensions of coverage include other states, voluntary compensation and employer's liability coverage, 60 day notice of cancellation except 10 days for non-payment, Borrower/Servant coverage as necessary, designated work place endorsement, alternate employer endorsement and amendment of Notice of Occurrence.
- COMMERCIAL GENERAL LIABILITY INSURANCE. Commercial General Liability Insurance shall be provided with a combined single limit for bodily injury and property damage of not less than \$2.0 million per occurrence with a \$2.0 million annual aggregate. Coverage includes, but is not limited to, personal injury liability, blanket contractual liability covering contractual liability assumed under the Design/ Build Contract, employees included as additional insureds, broad form property damage liability, cross liability, incidental medical malpractice coverage, excavation, collapse and underground hazard. Extensions of coverage includes blanket waiver of subrogation, fellow employee amendment-supervisor and above, unintentional errors and omissions, stop gap liability for monopolistic fund states, cancellation and non-renewal-60 days, except 10 days for non-payment, amendment of notice of occurrence, contingent loading and unloading of vehicles-excess, limitation of coverage to designated premises of project and absolute asbestos exclusion.
- EXCESS INSURANCE. Design/Builder shall provide excess insurance on a following form basis with limits for bodily injury and property damage of not less than \$100.0 million per occurrence and annual aggregate. This insurance policy or policies will contain three years extended coverage on products and completed operations after that portion of the Complex is put to its intended use or a notice of final completion of the Work has been issued by the Company, whichever occurs last.
- RISK OF LOSS. The Design/Builder shall insure for all risk of loss to property of the Company, the Design/Builder or any subcontractor on a "completed value basis." The Design/Builder's risk of loss under the Design/Build Contract is limited to all work in place, and all materials and equipment not in place but stored on or off the work site and intended for permanent use therein. Furthermore, the Design/Builder agrees to insure or self-insure all inland or ocean transit damage losses (in excess of

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carrier liability) to the property of the Company and to the property purchased for the account of the Company for incorporation in the Work.

ADDITIONAL INSURANCE. Additionally, the Design/Builder has agreed to procure and maintain the following, which is not included in the CIP: (i) Automobile Liability Insurance, with limits of not less than \$1.0 million combined single limit for bodily injury and property damage; (ii) "all risk" coverage the Design/Builder may deem necessary for protection against loss of owned or rented capital equipment and tools, including any tools owned by mechanics, and any tools, equipment, scaffolding, staging, towers and forms owned or rented by it or its subcontractors; (iii) "Off-Site Work," including Workers' Compensation and Commercial General Liability Insurance; (iv) umbrella liability in excess of Employer's Liability, General Liability and Automobile Liability (no more restrictive than the underlying insurance) with limits of \$5.0 million; and (v) a project-specific insurance policy for errors and omissions in the amount of \$5.0 million from ADP. The policy referred to in (v) is subject to the Company's review and approval and covers all aspects of the

design of those parts of the Complex covered by the Work.

**TERMINATION OF CIP.** In the event of non-enrollment or termination of the CIP, the Design/Builder and/or its subcontractors agree to provide, pay for, and maintain in effect the following types of coverage with insurance companies satisfactory to the Company: Commercial General Liability Insurance, Workers' Compensation, Automobile Liability Insurance, Tools and Equipment Floater Policy, Insurance for "Off-Site Work," and Umbrella Liability. For all of these policies the Design/Builder must obtain a waiver of subrogation against the Company and all other named insureds and their agents and employees.

**INDEMNIFICATION.** The Design/Builder agrees and will cause each of its subcontractors and vendors to agree in writing to defend, indemnify and hold harmless to the fullest extent permitted by law the Company from and against all liability incurred by the Company in the defense, settlement or satisfaction of any claim of third parties which arise or are alleged to arise out of any negligence, act or omission by the Design/Builder, subcontractor, or vendor or their employees or agents or which arise or are alleged to arise from the performance of the Work or any warranty and/or guarantee work pursuant to the Design/Build Contract or any subcontract or purchase order with any subcontractor or vendor. Neither the Design/ Builder nor any of its subcontractors or vendors agree to indemnify the Company to the extent harm results from the Company's gross negligence or willful misconduct, or where indemnity is precluded pursuant to the applicable provisions of the laws of the State of Nevada.

**FORCE MAJEURE.** Any delays in or failure of performance by either the Company or the Design/Builder arising from a "Force Majeure" occurrence, which includes, but is not limited to, labor disputes, civil disturbances, riots, fire, weather which is both severe and unusual, governmental actions, acts of war, or acts of God, shall not constitute a default under the Design/Build Contract. A Force Majeure occurrence shall not constitute a waiver of either party's obligations under the Design/Build Contract; however, time adjustments shall be made to the Contract Time.

**CANCELLATION OF DESIGN/BUILD CONTRACT.** The Design/Build Contract may be canceled for convenience by the Company in whole or in part, at any time, and due to any circumstances by written notice. After such cancellation, the Design/Builder shall do only such work as may be necessary to preserve and protect the Work already in progress. The Design/Builder shall make every reasonable effort to process cancellation, upon terms least costly to the Company, of all existing orders to vendors and subcontractors. Upon such cancellation, the Design/Builder agrees to waive any claims for delays, acceleration, disruptions, or consequential damages, direct or indirect, including, but not limited to, loss of anticipated income or profits and unabsorbed or unrealized overhead for home office or field office on account thereof, and agrees that the sole remedy is to receive payment of: (i) the contract sum earned for work completed and accepted, equivalent to the portion of the Work partially completed, based on the percentage of the Work performed using the approved schedule of values for the Design/Builder's monthly payment requisition, (ii) the actual reasonable cost incurred by the Design/Builder in securing and protecting the Work in progress against loss, damage or deterioration, (iii) reasonable demobilization costs, (iv) standby costs,

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(v) reasonable cancellation or deferment charges of suppliers, (vi) the actual cost to the Design/Builder of materials, and equipment in possession of the Company not sold or disposed of, and left at the Project Site, (vii) all actual costs associated with relocation of key personnel, who were specially transferred by the Design/Builder to Las Vegas specifically for the Work, and (viii) other special reasonable costs and fees for terminating or suspending the Work, preserving the Work accomplished, and turning such Work product over to the Company.

**CLAIMS AND DISPUTES.** All claims arising under the Design/Build Contract shall be directed by the Design/Builder in the first instance to the entity that is the on-site representative of the Company promptly after the claim arises. The decision of the Company's on-site representative may be appealed by notice in writing directly to the Company. If the Company has not made a decision in writing within 10 days thereafter, either party may invoke arbitration. Any controversy, claim, or dispute arising out of or in connection with the Design/Build Contract shall, upon the written request of either party, be settled by arbitration in accordance with the Construction Industry Rules and the Supplementary Procedures for Large, Complex Disputes of the American Arbitration Association then in effect. The judgment of the award may be entered in any court having jurisdiction thereof. All arbitration hearings shall be held in Las Vegas, Nevada and will be administered by the Nevada Regional Office of the American Arbitration Association.

**FLUOR GUARANTY**

In lieu of performance and payment bonds, Fluor has entered into the Fluor

Guaranty. Fluor has made certain guarantees regarding the performance by the Design/Builder of all the Design/Builder's obligations under the Design/Build Contract. The Fluor Guaranty is absolute, irrevocable and continuing. If Design/Builder fails to perform any of its obligations under the Design/Build Contract, or commits any breach, Fluor shall immediately take such steps as may be necessary to have the Design/Builder perform the Design/Builder's obligations under the Design/Build Contract, or remedy any breach or take such steps as may be necessary itself, or through a third party other than the Design/Builder, to perform all of the Design/Builder's obligations under the Design/Build Contract, or to remedy any breach. The Company is not required to proceed first or at all against the Design/Builder or any other person before enforcing the terms of the Fluor Guaranty.

#### ENERGY AGREEMENTS

Pursuant to a development agreement (the "Development Agreement"), the Energy Provider will design, engineer, procure and construct a facility (the "Plant") capable of serving the Company's specified electricity requirements, chilled water requirements and hot water requirements (collectively, the "Services") of certain parts of the Complex. Pursuant to an energy services agreement (the "ESA"), the Energy Provider will own and operate the Plant to distribute the Services to the Aladdin and the Music Project for an initial twenty year term. TrizecHahn will utilize the Plant for the provision of electricity and cold water for the Mall Project.

#### DEVELOPMENT AGREEMENT

The Company has entered into a Development Agreement with the Energy Provider, pursuant to which the Energy Provider will develop and construct the Plant to serve the energy requirements of certain parts of the Complex. Once developed and constructed in accordance with the Development Agreement, the Plant will supply the Services to such parts of the Complex pursuant to the Energy Service Agreement, described below. The design and construction of the Plant will be at the sole cost and expense of the Energy Provider; provided, however, the Energy Provider shall not be responsible for costs in excess of \$40 million unless agreed to by the Energy Provider. Specifically, the Energy Provider will be responsible, at its sole cost and expense, for, among other things: (i) designing, engineering, procuring, constructing, start-up, and performance testing of the Plant; (ii) compliance with applicable Laws and Government

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Approvals; (iii) safeguards for the protection of the Plant; (iv) obtaining all necessary construction materials, equipment and supplies; (v) providing all necessary labor and personnel; (vi) developing and complying with a Quality Control and Inspection Program; and (vii) completing the Plant in accordance with the schedule set forth in the Development Agreement. As discussed below, payments to the Energy Provider for the Capacity Charge (as defined herein) under the Energy Service Agreement will be based, in part, on the costs incurred by the Energy Provider for the design and construction of the Plant.

The Energy Provider will appoint a Project Manager who will be responsible for daily supervision of all activities relating to the design and construction of the Plant. The Project Manager will serve as a single point of contact for the Company with the Energy Provider. The Energy Provider also will develop a Project Plan, which will be comprised of a schedule for the development and construction of the Plant. The Project Plan will include a definition of the work to be completed as well as a schedule of milestones and Critical Path Activities. In consultation with the Company, the Energy Provider will prepare a request for proposals for an Engineering, Procurement and Construction Contractor ("EPC Contractor"), and will solicit bids from at least three qualified contractors. From the bids that are received that are acceptable to the Company, the Energy Provider will retain an EPC Contractor. The EPC Contractor will provide a guaranteed maximum price for the design and construction of the Plant. The Energy Provider and the EPC Contractor will then prepare design development plans and specifications for the Plant. The Plant will be constructed in accordance with such plans and specifications. The Company has the right to inspect all of the work performed and to comment on all aspects of the design and construction of the Plant.

In the event the Energy Provider has failed to achieve Critical Path Activities when and as set forth in the Project Plan, and the Company reasonably and in good faith believes that such failure is reasonably likely to prevent the Energy Provider from achieving Substantial Completion by the Substantial Completion Deadline and Final Completion by the Final Completion Deadline, the Company may so inform the Energy Provider. If the Energy Provider does not improve performance to the Company's satisfaction, the Company may require an increase in the Energy Provider's labor force, number of shifts, overtime operations, days of work per week and/or equipment, all costs of which shall be borne by the Energy Provider. The Energy Provider also will have a Contingency Plan in place which provides for the rental by the Energy Provider of transportable boiler and chiller plants to ensure delivery of hot water and

chilled water in accordance with the terms of the Energy Service Agreement in the event completion of the Plant is delayed for any reason. Unless the delay is due to a Force Majeure Event or the fault of the Company, the Contingency Plan will be implemented at the Energy Provider's sole cost and expense.

If the Energy Provider is in default of its obligations pursuant to the Development Agreement and the Energy Provider either fails to cure such default within ten days or fails to satisfy the Company that the default can be cured within a time period reasonably satisfactory to the Company and promptly commences and pursues remedial action, the Company may terminate the Development Agreement. As explained below, Unicom, the Energy Provider's ultimate parent, has guaranteed completion of the Plant in accordance with the Development Agreement up to a maximum liability of \$30.0 million. See "--Unicom Guaranty." Upon the Company's termination of the Development Agreement, Unicom Corporation either will complete the Plant in accordance with the terms of the Development Agreement or will pay up to \$30.0 million to have the Plant so completed.

In the event the performance of the Company or the Energy Provider is delayed or prevented due to a Force Majeure Event (as defined in the Energy Service Agreement) and such delay or prevention could not reasonably be avoided or mitigated, the party claiming such delay or prevention will be excused from performing its obligations under the Development Agreement for the period of delay or interruption caused by the Force Majeure Event. Within 72 hours after a party does become or should become aware of a Force Majeure Event, such party will notify the other. Within seven days of such notice, the party claiming the Force Majeure Event will deliver a notice to the other describing the anticipated impact of the Force Majeure Event and within 10 days of the end of the Force Majeure Event will provide a notice of extension of its obligations. If the parties disagree as to the latter notice and are unable to resolve their

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dispute, the dispute will be resolved in accordance with the dispute resolution provisions of the Development Agreement, described below.

The Company will not be responsible for the Work or for the Energy Provider's failure to perform the Work in accordance with the terms of the Development Agreement. Nor will the Company be responsible for the acts or omissions of the Energy Provider or its agents, contractors or employees. The Company assumes no responsibility for injury or claims resulting from failure of the Work to comply with applicable Laws or Government Approvals or from Defects or Deficiencies.

The Company and the Energy Provider agree to cooperate and to communicate with each other concerning the terms of the Development Agreement and other matters relating to the Plant. If a dispute arises between the Company and the Energy Provider, the parties jointly may request that the dispute be resolved by arbitration in accordance with the provisions of the Commercial Arbitration Rules of the American Arbitration Association. If the parties do not agree to submit the dispute to arbitration, either party may bring the dispute to any court of competent jurisdiction for resolution. The Development Agreement will be governed by and construed in accordance with the laws of the State of Nevada.

Neither the Company nor the Energy Provider may assign its interest or delegate its duties under the Development Agreement without the prior written consent of the other (not to be unreasonably withheld), except that either party may assign its interest in the Development Agreement if a concurrent assignment of its interests in the ESA has been made pursuant to the ESA to the same entity.

#### LEASE

Pursuant to a lease (the "Lease"), the Company has leased the Plant Site to the Energy Provider for a fixed monthly base rent of \$1.00. The Lease, which has a 20-year term and provides for 5-year renewal terms, is a "net" lease, pursuant to which the Energy Provider will pay all Impositions. The Energy Provider may not use the Plant Site to provide services other than the Services without the prior consent of the Company. In the event the Company gives such consent, the fixed monthly base rent will be adjusted and other reasonable modifications will be made to the Lease.

#### UNICOM GUARANTY

The obligations of the Energy Provider to complete the Plant in accordance with the Development Agreement and in a manner capable of delivering the energy requirements in accordance with the Energy Service Agreement are guaranteed by the Energy Provider's ultimate parent, Unicom ("the Unicom Guaranty"). Unicom agrees that the Unicom Guaranty shall be a continuing guaranty and that the Company shall not be required to prosecute enforcement or other remedies against the Energy Provider or any other guarantor of the Energy Provider's obligations before calling on Unicom for performance. Unicom agrees that if for any reason the Energy Provider shall fail or be unable to punctually and fully perform or cause to be performed any of its obligations under the Development Agreement,

Unicom shall perform or cause to be performed such obligations promptly upon demand. Unicom's obligations are limited to an amount equal to \$30.0 million dollars (or, under certain circumstances, an amount less than \$30.0 million) and shall not be reduced until Substantial Completion of the Plant. Upon Substantial Completion, the Unicom Guaranty shall be reduced by the amount invested by the Energy Provider, except that ten percent shall be retained to provide assurance that Final Completion shall occur in accordance with the milestone schedule under the Development Agreement.

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#### ENERGY SERVICE AGREEMENT

The Company and the Energy Provider have agreed to the form of an energy service agreement (the "ESA"), which is currently attached as an exhibit to the Development Agreement. The ESA is expected to contain provisions as described herein. The ESA sets forth the rights and obligations of the Company and the Energy Provider relating to, among other things, the development, testing, commissioning, operation and maintenance of the Plant; the making of Capacity and Consumption Payments; risk allocation in the event of a force majeure; events of default; rights of early termination and the consequences thereof; liability and indemnity obligations; and assignment and transfer of interests thereunder. The initial term of the ESA is twenty years from the Commencement Date, with three five-year renewal terms.

**CONDITIONS PRECEDENT.** The obligations of the Company and the Energy Provider under the ESA are subject to the satisfaction of various conditions precedent, a number of which have already been satisfied. The Company expects that all remaining conditions precedent will be timely satisfied in the ordinary course of business.

**OPERATION, MAINTENANCE AND REPAIR.** The ESA requires that the operation, maintenance and repair of the Plant be conducted in accordance with applicable laws and regulations and the Project Scope, as defined in the ESA. The Energy Provider will be required to have its personnel on duty at the Plant twenty-four hours per day, seven days per week. The ESA sets forth a scheduling procedure for scheduled maintenance. Inspection, testing, preventive and corrective maintenance, repairs, replacements and improvements of the Plant will be carried out during such scheduled maintenance periods.

**PAYMENTS.** The ESA provides for a two-part price structure consisting of a capital component (the "Capacity Charge") to be paid monthly whether Services are taken or not by the Complex and an energy component (the "Consumption Charge") to be paid monthly for Services actually taken by the Complex. The capital component will be paid in advance. The energy component will be paid in arrears. The Capacity Charge and the Consumption Charge are expected to be adjusted annually by reference to the Consumer Price Index or a similar index.

**FORCE MAJEURE.** Each party will be excused from performance of its respective obligations under the ESA if performance of such obligations is materially and adversely affected by a Force Majeure Event, although each party is obligated to take reasonable steps to restore its ability to perform. Force Majeure Events are circumstances that, by the exercise of reasonable diligence, the party is unable to overcome or prevent. Force Majeure Events include, but are not limited to, acts of God, war, civil commotion, embargoes, epidemics, fires, cyclones, droughts and emergencies other than those caused by the negligence or wilful misconduct of the party claiming a Force Majeure Event.

**DEFAULTS.** The ESA divides events of default into Energy Provider events of default and Complex events of default. A party receiving notice of certain defaults has thirty days to cure such default. If not cured within such time period, an uncured default may lead to the termination of the ESA.

**ENERGY PROVIDER DEFAULTS.** If at any time after the Commencement Date the Energy Provider fails to provide Services in accordance with the ESA (a "Performance Failure"), the Energy Provider is required to: (i) provide immediate notice to the Complex and provide the Complex with a corrective action plan consistent with a contingency plan to be developed prior to the Commencement Date; (ii) use best efforts to correct or cure such Performance Failure; and (iii) provide immediate access to the Complex and work together with the Complex to identify the source of the Performance Failure. After a Performance Failure has existed for thirty two (32) consecutive hours, or thirty two (32) hours of any forty eight hour (48) period, the Complex will: (i) be entitled to assume control of the Plant and maintain such control until such Performance Failure has been cured or corrected and take any action reasonably intended to cure or correct such failure at the Energy Provider's expense; (ii) be entitled to an abatement of the Capacity Charge for the affected Service; (iii) have the right to hire, at the Energy Provider's expense, an

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independent consultant to review the circumstances surrounding the Performance Failure and make written recommendations as to a corrective action to be

implemented at the Energy Provider's sole expense; and (iv) in the event the Energy Provider fails to promptly implement the consultant's recommendations, be entitled to terminate the ESA and purchase the Plant from the Energy Provider. In the event the ESA is terminated pursuant to an Energy Supplier Default, the purchase price for the Plant shall be equal to the Energy Provider's depreciated basis calculated on a twenty year straight line method in the Plant, less any costs incurred for required repair and/or maintenance.

**OPTION TO PURCHASE.** The Company shall possess a continuing option to purchase the Plant at any time prior to the termination of the ESA, exercisable by written notice given to the Energy Provider not less than one year prior to the date upon which such purchase shall close as specified in the notice. It is a condition to the Energy Provider's obligation to consummate the sale that the Company shall assume, indemnify and hold the Energy Provider harmless from all obligations of the Energy Provider accruing after the closing under all contracts and agreements with respect to the Plant under which any performance obligations will continue following such sale. At the closing, the Energy Provider will assign and the Company will be obligated to assume all such contracts and agreements.

**ASSIGNMENT AND TRANSFER.** Neither the Company nor the Energy Provider shall be permitted under the ESA to assign or transfer its rights under the ESA without the prior written consent of the other. Notwithstanding this, the ESA provides that the Company may assign its rights to any affiliate and that both the Company and the Energy Provider may assign their respective rights under the ESA to lenders to whom either party provides a security interest in their respective properties in connection with financing each of the properties. In addition, the Energy Provider is prohibited from effecting changes in its ownership, except that it may issue ownership interests to certain specified entities which are public utilities or affiliates thereof.

**DISPUTE RESOLUTION.** In the event of a dispute under the ESA, either party may at any time refer the dispute to be settled by binding arbitration pursuant to the Commercial Arbitration Rules of the American Arbitration Association.

#### CONSTRUCTION, OPERATION AND RECIPROCAL EASEMENT AGREEMENT AND RELATED AGREEMENTS

The Company, Bazaar, AMH and the Energy Provider (collectively, the "REA Parties") have entered into (except with respect to the Energy Provider, who is not a signatory but is bound by) the Construction, Operation and Reciprocal Easement Agreement (the "REA"). AMH is expected to assign its rights and obligations under the REA to Aladdin Music, and Aladdin Music is expected to assume such rights and obligations, upon execution of the Aladdin Music Operating Agreement. The REA sets forth agreements among the REA Parties regarding, among other things, easements, construction standards and requirements, encroachments, use and operating covenants, maintenance requirements, insurance requirements, casualty and condemnation and the sharing of certain facilities and costs relating thereto. The REA has been recorded in the Official Records of Clark County, Nevada and the agreements therein will run with the land, affecting subsequent owners and lessees thereof.

The Site Work Development and Construction Agreement (the "Site Work Agreement") entered into among the Company, AHL and Bazaar provides, among other things, that the Company and AHL will, at their cost and expense, perform certain demolition work and certain site work including certain infrastructure improvements and the construction of the initial building shell for the Aladdin Improvements (as defined herein) and the Bazaar Improvements (as defined herein). The Site Work Agreement also provides that Bazaar will contribute approximately \$14.2 million (including interest) (the "Bazaar Site Work Contribution") to the cost of the site work. In addition, subject to the satisfaction of certain conditions being negotiated with Scotiabank and London Clubs, it is intended by the parties that the Company will be responsible for costs in excess of \$36 million in connection with the construction of the Carpark. The Site Work Agreement further provides that the Company will construct the Aladdin

Improvements and Bazaar will construct the Bazaar Improvements in accordance with a certain construction schedule and pursuant to good and workmanlike standards and with first-class materials.

The Site Work Agreement and the REA provide that the Company will: (i) construct a first-class hotel and casino facility (the "Aladdin Improvements") on the Gaming Site (as defined in the REA); (ii) lease the Bazaar Site (as defined in the REA) to Bazaar, which covenants to construct and operate a first-class Retail Facility (as defined in the REA) and related improvements (the "Bazaar Improvements"); (iii) lease the Aladdin Music Site (as defined in the REA) to AMH, which covenants to construct and operate a first-class hotel and casino facility (i.e., the Music Project hotel and casino); and (iv) lease the Utility Site (as defined in the REA) to the Energy Provider, which covenants

to construct and operate a central utility plant (the "Central Utility Plant"). The Bazaar Improvements include the Carpark and additional surface-level parking facilities beneath and adjacent to the Retail Facility for approximately 350 motor vehicles (the "Common Parking Area").

The REA also provides that Bazaar grants, as to its ownership or leasehold interest in its tract, to the other REA Parties, as to their ownership or leasehold interests in their tracts, a non-exclusive easement for automobile parking in and on the Common Parking Area. The use and operation of the Common Parking Area is also subject to the Common Parking Area Use Agreement (the "Parking Agreement") entered into between the Company and Bazaar, pursuant to which Bazaar covenants to maintain and operate the Common Parking Area for the non-exclusive use of all the REA Parties. The Parking Agreement provides, among other things, that the Company (i) will pay a fee of \$3.2 million per year, payable monthly and adjusted annually pursuant to a consumer price index-based formula, for usage of the Common Parking Area, (ii) will pay its proportionate share of the operating costs attributable to the Common Parking Area, and (iii) has the right to assign a portion of its usage rights and obligations to Aladdin Music, although such assignment may not relieve the Company of any of its obligations in connection therewith. If and when Planet Hollywood's subsidiary becomes a member of Aladdin Music, the Parking Agreement, by its terms, shall be amended and restated to add Aladdin Music as a party, and the Company's proportionate share of the operating costs attributable to the Common Parking Area shall be reduced.

The REA contains agreements pursuant to which the REA Parties, as to their ownership or leasehold interests in their respective tracts, grant to the other REA Parties, as to their ownership or leasehold interests in their respective tracts, easements for, among other things, (i) vehicular and pedestrian access, (ii) installation and operation of utilities, (iii) construction, (iv) common structural support, (v) installation and maintenance of exterior lights to highlight grantees' buildings, (vi) truck loading, (vii) encroachments and the maintenance thereof, (viii) roof space for the installation and operation of certain telecommunication and ventilation equipment, (ix) setbacks, (x) maintenance and construction of grantees' buildings, (xi) construction and operation of a proposed monorail and (xii) signage.

The REA sets forth covenants among the REA Parties to, among other things, (i) perform the construction of the Redeveloped Aladdin (as defined in the REA) in accordance with first-class standards, (ii) cooperate with one another and with each REA Party's architects, engineers and contractors and (iii) exchange certain plans and specifications and other information. Certain modifications of any REA Party's plans or specifications will be subject to certain approval rights of certain other affected REA Parties. The REA also provides that the Company may construct certain optional improvements, including an office tower and/or time-share facilities.

Pursuant to the terms of the REA, the Company has covenanted that it shall complete (subject to force majeure) the Aladdin Improvements, and Bazaar has covenanted that it shall complete (subject to force majeure) the Bazaar Improvements, on or before the First Scheduled Opening Date (as defined in the Site Work Agreement). Similarly, AMH has covenanted that it shall complete the Music Project hotel and casino on or before the Second Scheduled Opening Date (which is currently anticipated to be six (6) months after the First Scheduled Opening Date).

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The REA provides that, subject to certain operational requirements of the other REA Parties, each REA Party will operate the improvements on its tract in a first-class manner, as more particularly set forth in the REA.

The REA contains agreements among the REA Parties to maintain their improvements in good order and in first-class condition, reasonable wear and tear excepted. The REA also allocates responsibility among the REA Parties to maintain the Common Area (as defined in the REA) of the Site (as defined in the REA). Responsibility for the payment of the costs for such Common Area maintenance is allocated proportionately; and the Company has the right to assign a portion of its payment obligation to AMH, although such assignment may not relieve the Company of any of its obligations in connection therewith.

The REA contains provisions requiring that in the event of any casualty or condemnation, each REA Party shall, at its cost and expense, restore the improvements located on its respective tract or tracts, including the Common Area thereon, regardless of the availability of insurance proceeds or condemnation awards; provided, however, that (a) with respect to damage or condemnation affecting the Common Parking Area, the costs and expenses in excess of available insurance proceeds or condemnation awards shall be shared by each REA Party in accordance with its respective tract's proportionate share of parking spaces required in accordance with local law, and (b) certain restoration obligations expire 25 years (or such longer period approved by the REA Parties) after the Second Scheduled Opening Date.

The REA contains provisions establishing self-help remedies for REA Parties affected by an REA Party's failure to meet its maintenance or restoration obligations set forth in the REA.

Certain disputes between the REA Parties that arise under the REA are, pursuant to the REA, to be decided pursuant to binding arbitration, as more particularly set forth in the REA. The REA Parties' maximum liability to one another under the REA is limited to such REA Parties' interests in the Redeveloped Aladdin, as more particularly set forth in the REA.

#### AGREEMENTS RELATING TO THE MALL PROJECT OR THE MUSIC PROJECT

##### BAZAAR LLC OPERATING AGREEMENT

TH Bazaar Centers Inc. ("THB"), a wholly owned subsidiary of TrizecHahn, and Bazaar Holdings (collectively, the "Bazaar Members") are parties to the Bazaar LLC Operating Agreement setting forth their agreement as to the relationship between Bazaar and the Bazaar Members and among the Bazaar Members themselves as to the conduct of the business and internal affairs of Bazaar. The Bazaar Operating Agreement may be amended or terminated by the Bazaar Members without the consent of any of the Aladdin Parties, London Clubs, the Company, or the holders of the Notes or the Warrants.

MANAGEMENT. Pursuant to the Bazaar LLC Operating Agreement, the business and affairs of Bazaar shall be managed by a board of managers (the "Bazaar Board"), consisting of four members (each, a "Bazaar Board Member"). Each Bazaar Member has designated two Bazaar Board Members and may, from time to time, change its designated representatives on the Bazaar Board. The number of representatives on the Bazaar Board may be increased by the Bazaar Board so long as each Bazaar Member maintains an equal number of representatives. Notwithstanding the foregoing, if any Bazaar Member acquires or obtains a greater than their current interest in Bazaar, then such Bazaar Member shall have the right to designate a majority of the representatives on the Bazaar Board, and the number of representatives selected by the other Bazaar Member shall be reduced proportionately.

MALL GUARANTY. Subject to certain conditions, THB's parent, TrizecHahn, THOP, Bazaar Holdings, AHL and the Trust have agreed to jointly and severally assume recourse liability and enter into the Mall Guaranty in favor of the Mall Lender upon completion of the Mall Financing, until certain earnings and loan to value targets have been met.

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TRANSFER RESTRICTIONS. The Bazaar LLC Operating Agreement contains customary restrictions on the transfer of interests by Bazaar Members. In particular, no Bazaar Member may transfer its interests to a Prohibited Transferee without the prior consent of the other Bazaar Members.

The term "Prohibited Transferee" includes: (a) any owner, operator or manager of any resort hotel located in Clark County, Nevada, (b) any shopping center owner, manager and/or developer if THB will continue to be a Bazaar Member following the transfer, (c) any person or entity primarily engaged in the business of owning or operating a casino or other similar type of gambling facility, (d) any person who has been found unsuitable or has withdrawn an application to be found suitable by the Nevada Gaming Authorities, or (e) FOCUS 2000, Inc., a Nevada corporation, or the then current owner or lessee of the real property located at the northeast corner of the Strip and Harmon Avenue, in Las Vegas, Nevada.

MARKETING AND SALE OF THE MALL PROJECT. Commencing on the fifth anniversary of the opening of the Mall Project and continuing for five years, any Bazaar Member (the "Selling Member") holding a 50% or greater interest in Bazaar may cause Bazaar to offer the Mall Project for sale on the open market by delivering written notice to the other Bazaar Member (the "Non-Selling Member"). If any offer is received that the Selling Member desires to accept, the Selling Member must give written notice specifying all terms of the proposed sale to the Non-Selling Member, who shall have 30 days to elect to purchase the entire interest at the terms specified in the notice; provided however, that if THB is the Selling Member, then Bazaar Holdings, as Non-Selling Member, shall (subject to certain conditions) have the additional option to purchase 12.5% of the interest in Bazaar for the appropriate allocable share of the purchase price (and other fees specified on such notice).

TERM. Bazaar will continue to operate as a limited liability company until December 31, 2099, unless earlier dissolved or extended by unanimous agreement of the Bazaar Members.

##### MALL FINANCING

Bazaar has entered into a building loan agreement with the Mall Lenders and Fleet as Administrative Agent (the "Mall Agent") for the Mall Financing, whereby the Mall Lenders will agree to lend up to \$194.0 million to Bazaar to finance

the Mall Project. The proceeds from the Mall Financing will be used for the construction of the themed Desert Passage, expected to contain approximately 522,000 square feet of retail space, and the approximately 4,800-space Carpark. The Mall Project is expected to open by April of the year 2000, as such date may be extended for force majeure events.

TERM. The Mall Financing has a stated maturity of five years from closing. Bazaar shall have two one-year extension options if certain conditions are satisfied and at the end of the initial five year term, any unfunded commitment amount will be automatically cancelled.

AMORTIZATION AND PREPAYMENT. The Mall Financing will be interest-only during the initial term. During the extension terms, Bazaar will be required to amortize principal based on 25-year (during the first extension term) and 24-year (during the second extension term) mortgage-style amortization and an interest rate derived based on the then prevailing 10 year Treasury rate plus 150 bps.

FEES. Bazaar will be required to pay a fee of 10 bps per annum on the unfunded loan amount. Such fee shall be computed on an actual/360-day basis and shall be payable quarterly in arrears from and after the closing.

SECURITY. The loan is secured by a deed of trust, assignment of leases and rents and security agreement which shall be a first lien on Bazaar's interest in the premises on which the Mall Project is built and the Mall Project itself.

COVENANTS. The Mall Financing contains a project financial covenant based on loan to value and customary affirmative and negative covenants typical for this type of transaction.

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EVENTS OF DEFAULT. The Mall Financing provides that all customary events of default for similar loan transactions, consistent with the following, shall constitute events of default under the loan documents, including: (i) (a) insolvency or bankruptcy of the Borrower, TrizecHahn or THOP (and, under certain circumstances, Bazaar Holdings), (b) breach of THOP and TrizecHahn guarantor covenants or (c) judgements against TrizecHahn in excess of \$25.0 million individually or in the aggregate (which are not discharged or appealed within 60 days) and (ii) failure to pay debt service within five days after due.

CONDITIONS PRECEDENT. The Mall Financing provides that the Mall Agent's obligation to make the initial advance of the Mall Financing is subject to the satisfaction of certain conditions, including, among other things (i) that Scotiabank consent to an amended Site Work Agreement, that provides that the Company will be responsible for costs in excess of \$36 million in connection with the construction of the Carpark and (ii) that the contribution of a minimum of 25% of total project costs be contributed as up-front equity prior to funding of the loan, of which at least \$35.0 million of such investment shall be in the form of cash expended in the Mall Project.

#### MUSIC PROJECT MEMORANDUM OF UNDERSTANDING

The Company and Planet Hollywood have entered into a Memorandum of Understanding and Letter of Intent, dated as of September 2, 1997, as amended by a letter agreement dated as of October 15, 1997 (as so amended, the "Music Project Memorandum of Understanding") in connection with the formation of a joint venture between subsidiaries of the Company and Planet Hollywood to own, develop and operate the Music Project. The Music Project Memorandum of Understanding is intended to be an agreement (subject to certain limited conditions) with respect to certain matters regarding the formation and operation of Aladdin Music, however the parties have agreed to use their best efforts promptly to complete and execute all agreements and other documents that may be reasonably necessary to carry out the provisions of the Music Project Memorandum of Understanding. The Company anticipates that such agreements will include the following-described agreements, although the terms described below are subject to further revision and may be modified by the Company and Planet Hollywood prior to the execution of definitive documentation. See "Risk Factors--Completion of the Mall Project and the Music Project."

ALADDIN MUSIC OPERATING AGREEMENT. It is expected that AMH and a subsidiary of Planet Hollywood (the "Music Project Members") will enter into an operating agreement (the "Aladdin Music Operating Agreement") to govern the operations of Aladdin Music. The Company has formed AMH, which it anticipates will hold (on a fully diluted basis through shares and warrants) a 50% member interest in Aladdin Music. Prior to the exercise of its warrants (the "Music Project Warrants"), AMH will own a 49% preferred membership interest ("Music Preferred Shares") and a 49% common membership interest ("Music Common Shares") in Aladdin Music, however, exercise of the Music Project Warrants will increase AMH's percentage interest in Aladdin Music to 50%. Planet Hollywood, through a subsidiary (the "Planet Hollywood Member"), will initially hold the remaining

interests in Aladdin Music.

**CAPITAL CONTRIBUTIONS.** Through AMH, the Company is expected to contribute to Aladdin Music (i) a ground lease, at nominal rent, of the approximately 4.75 acre parcel of land for the Music Project (including a right to acquire the fee interest in such land upon the receipt by the Company of necessary permits and subdivision approvals) and (ii) \$21.3 million in cash. The contribution value of the ground lease will be \$20.0 million. The Planet Hollywood Member will contribute cash to Aladdin Music in the amount of \$41.3 million. Substantially all of the contributions of the Music Project Members are expected to be made immediately prior to, or concurrently with, the closing of construction financing with respect to the Music Project, however certain pre-development costs of Aladdin Music incurred with respect to the Music Project will be contributed to Aladdin Music prior to such date. These predevelopment costs include design, architecture and organization costs.

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**SHARES.** Aladdin Music is expected to have two classes of shares (which represent units of membership interests in Aladdin Music): Music Common Shares and Music Preferred Shares (collectively, "Music Project Shares"). The above-described contributions of the Music Project Members will be deemed contributions in respect of Music Preferred Shares. Except with respect to distributions to cover tax liability of Music Project Members (or, if any Music Project Member is a pass-through entity, its equity interest holders) arising from their interest in Music, the Music Preferred Shares will have distribution, redemption and liquidation preferences over all Music Common Shares. Rights to allocations to the capital account and distributions in respect of the Music Preferred Shares will cumulate (but not compound) quarterly at the rate of 12% per annum on the capital account balance in respect thereof. Preferred distributions to the Planet Hollywood Member will have priority of payment over preferred distributions to AMH. In addition, to the extent that there is insufficient cash available for distribution to make such preferred distributions, the amounts which are not distributed will accrue (but not compound) for the benefit of the party entitled thereto. Distributions of such accrued amounts to the Planet Hollywood Member will have priority over distributions to AMH.

**MANAGEMENT AND DAY-TO-DAY OPERATIONS.** Management of Aladdin Music will be the responsibility of a board of managers (the "Music Project Board"), comprised initially of four members designated by the Planet Hollywood Member and three members designated by AMH, until AMH exercises its warrants for the acquisition of additional Music Project Shares, at which time the Music Project Board will be comprised of four representatives each of AMH and the Planet Hollywood Member. Major decisions of the Music Project Board will require the vote of a supermajority of the board members. All decisions other than such major decisions will be delegated to an operating committee comprised of two representatives each of AMH and the Planet Hollywood Member (the "Operating Committee"). The development of the Music Project and renovation of the Theater will be coordinated by the Company under the Music Project Development Agreement. Day-to-day management and operation of the Music Project and the Theater will be delegated to the Company under the Music Project Management Agreement.

**TRANSFERS OF SHARES.** Transfers of Music Project Shares will only be permitted:

- (i) to affiliates of Music Project Member, LCNI, or persons approved by a majority of the interests held by Music Project Members; and
- (ii) to persons other than certain prohibited transferees after giving other Music Project Members a right of first negotiation for the acquisition of such Shares.

**LIABILITY, EXCULPATION AND INDEMNIFICATION.** The Aladdin Music Operating Agreement will contain provisions relieving the Music Project Members, officers, employees and Music Project Board Members and Operating Committee members from certain liability, fiduciary duties and conflicts and will also provide for various indemnities to such persons in respect of payment of expenses and errors and omissions insurance.

**GAMING MATTERS.** Capital contributions, admission of new Music Project Members, transfers of shares and payment of distributions by Aladdin Music will be subject to receipt of Nevada Gaming Approvals. Music Project Members and their affiliates, directors and employees will cooperate to obtain Gaming Approvals from the Nevada Gaming Authorities, as necessary. If Nevada gaming problems arise prior to a finding of unsuitability by the Nevada Gaming Authorities, the Music Project Member causing such problem (or whose director, officer or affiliate caused such problem) shall cooperate to remedy it and, if not remedied, may be forced to sell its Music Project Shares to Aladdin Music or its designee at fair market value.

TERM. Aladdin Music shall continue until January 24, 2097, or such other time as agreed in writing by all Members.

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THE MUSIC PROJECT DEVELOPMENT AGREEMENT. Aladdin Music intends to contract with the Company for the development of the Music Project and the Theater renovation pursuant to a development agreement (the "Music Project Development Agreement") on terms, and in form and substance, satisfactory to Aladdin Music and the Company. Pursuant to the Music Project Development Agreement, the Company will agree to provide services with respect to such development and renovation, including (a) the selection of contractors, subcontractors and the professional team including architects, engineers, surveyors, designers, decorators and other technical and professional consultants; (b) the negotiation on behalf of Aladdin Music of the agreements under which the contractors, subcontractors and the professional team are to be retained by Aladdin Music; (c) the supervision of the preparation of preliminary and final plans, including landscaping, interior design and graphics; and (d) the preparation of preliminary cost estimates and projections of cash flow requirements covering the development costs during the Development Period, and the preparation and updating from time to time of the development budget; subject, in each case, to certain approval rights of Aladdin Music.

REIMBURSEMENT UNDER MUSIC PROJECT DEVELOPMENT AGREEMENT. The Company will be reimbursed for its costs and expenses in connection with its activities under the Music Project Development Agreement.

TERMINATION. Each of the Company and Aladdin Music are anticipated to have certain limited termination rights with respect to the Music Project Development Agreement. Any termination of the Music Project Development Agreement will entitle the Company to terminate the Music Project Management Agreement.

INDEMNIFICATION. Aladdin Music shall indemnify and hold the Company harmless from claims arising out of the performance by Company of services under the Music Project Development Agreement. The Company shall indemnify and hold Aladdin Music harmless from and against any and all claims arising from or in connection with the Company's gross negligence or willful misconduct.

MUSIC PROJECT MANAGEMENT AGREEMENT. Aladdin Music intends to contract with the Company for the day-to-day management and operations of the Music Project and the Theater and certain promotional services, pursuant to a management agreement in form and substance satisfactory to Aladdin Music and the Company (the "Music Project Management Agreement"). The terms of the Music Project Management Agreement are expected to be on terms at least as favorable as those which would be available from an independent third party vendor.

COMPENSATION UNDER MUSIC PROJECT MANAGEMENT AGREEMENT. The Music Project Management Agreement will provide for the provision of management services by the Company for the Music Project and the Theater in exchange for a base management fee (the "Base Management Fee"), payable quarterly, equal to 1.50% of the net revenue from the Music Project and the Theater and for an additional management fee (the "Incentive Management Fee"), payable quarterly, equal to 6% of the Management Excess Net Revenue (which is the amount obtained by dividing (i) the amount of quarterly Adjusted Music EBITDA in excess of the Adjusted Management EBITDA Threshold by (ii) Profit Margin). "Adjusted Music EBITDA" means for any period Aladdin Music's earnings before (i) deductions for interest, taxes, depreciation and amortization, (ii) payment of the Incentive Management Fee, the Incentive Marketing Fee, and (iii) payment of leases for furniture, fixtures or equipment. "Profit Margin" means for any quarter, quarterly Adjusted EBITDA divided by quarterly Net Revenue. "Incentive Marketing Fee" means an additional marketing fee, payable quarterly from Aladdin Music to Planet Hollywood pursuant to the Marketing and Consulting Agreement (as defined herein) between Aladdin Music and Planet Hollywood, equal to 6% of the Marketing and Consulting Excess Net Revenue. "Marketing and Consulting Excess Net Revenue" means the amount obtained by dividing (i) the amount of quarterly Adjusted EBITDA in excess of the Adjusted Marketing EBITDA Threshold by (ii) the Profit Margin. The "Adjusted Management EBITDA Threshold" means quarterly Adjusted EBITDA of \$10.0 million. The "Adjusted Marketing EBITDA Threshold" means quarterly Adjusted EBITDA of \$8.75 million. The Incentive Management Fee shall at all times (including, without limitation, if the Adjusted Management EBITDA Threshold is met or

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if there is sufficient cash available for distribution) be subordinate to debt service. To the extent that the Adjusted Management EBITDA Threshold is met but there is insufficient cash available for distribution for the payment of any or all of such Incentive Management Fee and the payment of the Incentive Marketing Fee, or if Aladdin Music is otherwise restricted by a lender from paying such fees, the Incentive Management Fee shall be subordinate to the payment of the Incentive Marketing Fee. Incentive Management Fees which are due but not paid shall accrue (together with interest thereon) for the benefit of the Company.

The Incentive Management Fee shall not be payable to the Company for any quarter in which the Adjusted Management EBITDA Threshold is not achieved. In addition, pursuant to the Music Project Management Agreement, the Company shall provide certain services to the Music Project and the Theater, including, without limitation, accounting and financial services, MIS, general management and investor relation services, promotional services and other agreed upon services in the ordinary course of business by the Company for the Music Project and the Theater in exchange for reimbursement of the fully allocated cost of such services.

TERM. The term of the Music Project Management Agreement shall be thirty (30) years, subject to an option on the part of the Company to extend the term for three successive ten year periods.

TERMINATION FEE. In the event that the Music Project Management Agreement is terminated by Aladdin Music prior to the expiration of its term (including extension options) and prior to the time that the Music Project Warrants may be exercised, then (except under certain circumstances) the Company shall be paid a termination fee of \$50.0 million and AMH shall have the right to put its investments in Aladdin Music to Planet Hollywood for an amount equal to such investment's fair market value. Once AMH is able to exercise the Music Project Warrant, all provisions relating to the termination fee and fair market purchase option shall terminate.

THE MARKETING AND CONSULTING AGREEMENT. Aladdin Music intends to contract with Planet Hollywood and an affiliate of Planet Hollywood for the provision of certain marketing and consulting services to be provided to the Music Project and for the license to Aladdin Music of all rights to the trademarks, tradenames and related agreements which are necessary or desirable to operate and maintain a "music-themed" hotel and restaurant on the Music Project land, pursuant to a marketing and consulting agreement in form and substance satisfactory to Planet Hollywood and Aladdin Music (the "Marketing and Consulting Agreement"). The Marketing and Consulting Agreement is expected to provide for the provision of marketing and consulting services by Planet Hollywood (and/or its affiliates) for the Music Project in exchange for a base fee (the "Base Marketing Fee"), payable quarterly, equal to 2.00% of the Music Project's quarterly Net Revenue and for an additional marketing fee (the "Incentive Marketing Fee"), payable quarterly, equal to 6% of the Marketing and Consulting Excess Net Revenue. The Incentive Marketing Fee shall not be payable for any quarter in which the Adjusted Marketing EBITDA Threshold is not achieved. In addition, to the extent that the Adjusted Marketing EBITDA Threshold is met but there is insufficient cash available for distribution for the payment of any or all of such fees, or if Aladdin Music is otherwise restricted by a lender from paying the Incentive Marketing Fee, the Incentive Marketing Fee shall accrue (together with interest thereon) for the benefit of Planet Hollywood. In addition to the Base Marketing Fee and the Incentive Marketing Fee, the Marketing and Consulting Agreement shall provide that Planet Hollywood shall be reimbursed, on a quarterly basis, for its costs and expenses under the Marketing and Consulting Agreement in an amount equal to 0.5% of quarterly Net Revenue, without supporting documentation as well as for certain other approved expenses. The Marketing and Consulting Agreement is further expected to provide that Planet Hollywood shall be restricted from allowing the use or operation of similar "music concept" themed restaurants at any location in Clark County, Nevada, other than at the Music Project.

THE GROUND LEASE. AMH intends to assign its ground lease (the "Music Project Lease") of the site designated for the Music Project to Aladdin Music. The Music Project Lease is for nominal rent and includes the right of the lessee to acquire fee title to the Music Project land upon completion of the

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division of the Project Site into separate legal parcels. Pursuant to the Music Project Lease, Aladdin Music shall be required to cooperate with such division and to fund its pro rata share of the costs thereof, based upon the ratio that the acreage of the Music Project land bears to the total acreage of the Project Site.

THE THEATER LEASE. The Company is expected to enter into a lease agreement (the "Theater Lease") with respect to the Theater pursuant to which, among other matters, (i) Aladdin Music shall lease the Theater from the Company for a period of at least 69 years on a "triple-net" basis, for nominal rent, (ii) the Company shall have certain rights with respect to the lease-back of the Theater, (iii) certain provisions shall be made relating to the promotional and security services for the Theater, (iv) Aladdin Music shall agree to renovate the Theater prior to the opening of the Aladdin and to maintain the Theater in a "first class" condition during the term of the Theater Lease.

#### MUSIC PROJECT FINANCING

Prior to the commencement of the development of the Music Project, Aladdin Music is expected to enter into a commitment letter for a credit facility with a

syndicate of lenders whereby the lenders will agree to finance the construction of the Music Project. Currently, Aladdin Music is considering several proposals for such financing. See "Risk Factors--Completion of the Mall Project and the Music Project."

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

GENERAL

The following discussion is a summary of certain material federal income tax considerations relevant to the acquisition, ownership and disposition of the Warrants by a U.S. Holder. A "U.S. Holder" means a holder of a Warrant which is (i) an individual who is a citizen or resident of the United States for federal income tax purposes, (ii) a corporation or partnership created or organized in the United States or under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate (other than a foreign estate) or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

This summary is based upon current laws, regulations, rulings and judicial decisions some of which are not clear and all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of this discussion. In addition, the validity of the conclusions contained in this summary depends upon the accuracy of representations made by officers of Holdings and projections prepared by the financial advisors to Holdings in connection with the Offering.

This summary does not purport to consider all the possible federal income tax consequences of the purchase, ownership or disposition of the Warrants and is not intended to reflect the particular tax position of any beneficial owner. It addresses only U.S. Holders who hold the Warrants as capital assets and does not address beneficial owners that may be subject to special tax rules, such as foreign holders, banks, insurance companies, dealers in securities or currencies, purchasers that hold the Warrants as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprised of a Warrant and one or more other investments, or purchasers that have a "functional currency" other than the U.S. dollar. In addition, the discussion does not address any aspect of state, local or foreign taxation.

HOLDERS OF THE WARRANTS ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF ACQUIRING, OWNING, AND DISPOSING OF THE WARRANTS AS WELL AS THE APPLICATION OF STATE, LOCAL, AND FOREIGN INCOME AND OTHER TAX LAWS.

ISSUE PRICE

On the Issue Date the issue price of the Unit was allocated between the Notes and the Warrants based on their relative fair market values. Holders who purchased a Unit at original issue for its issue price have an initial tax basis for the Warrants equal to the Warrants' issue price. With respect to the \$519.40 issue price per Unit, Holdings has allocated \$67.72 to the Warrants, which represents their issue price. This allocation reflects Holdings' judgement as to the relative value of the Note and Warrants at the time of issuance. The allocation is binding on a U.S. Holder unless such U.S. Holder explicitly discloses a different allocation on an attachment to its tax return for the taxable year that includes the acquisition date of the Unit. The allocation is not, however, binding on the IRS and there can be no assurance that the IRS would not challenge this allocation or that such a challenge, if made, would not be upheld in court.

TAXATION OF WARRANTS

CHARACTERIZATION OF THE WARRANTS. Although the matter is not free from doubt, and the form of the Warrants may be respected for federal income tax purposes, it is possible that the Warrants would be treated for federal income tax purposes as the shares of Common Stock of the Issuer which such Warrants entitle the holder to purchase due to, among other things, their minimal Exercise Price and lack of any meaningful contingency. Although it is thus unclear whether the Warrants will be treated as warrants or

stock for federal income tax purposes, the following discussion assumes that the Warrants would be properly characterized as warrants and describes, as appropriate, any differing federal income tax treatment that would result if the Warrants are treated as stock.

**EXERCISE.** A holder of a Warrant generally will not recognize gain or loss upon exercise of the Warrant. The holder's federal income tax basis in the stock received will be equal to the holder's federal income tax basis in the Warrant immediately prior to exercise (i.e., in the case of an initial purchaser in the Offering, the portion of the cost of the Unit allocable to the Warrant), plus the amount of cash paid upon exercise. The holding period of the stock acquired upon exercise of the Warrant will begin on the day after the date of exercise of the Warrant and will not include the period during which the Warrant was held. If the Warrants are treated as stock from the date of issuance, the holder would not recognize any gain or loss on the exercise of the Warrants, and the holding period of the stock received would include the entire period during which the Warrant was held.

**ADJUSTMENTS.** An adjustment to the exercise price of the Warrants made pursuant to the anti-dilution provisions of the Warrants may, in certain circumstances, result in constructive distributions to the holders of the Warrants which could be taxable as dividends to the holders under Section 305 of the Code. A holder's federal income tax basis in the Warrants generally would be increased by the amount of any such dividend. The consequences of such an adjustment generally should not differ if the Warrants are recharacterized as stock on the date of issuance.

**DISPOSITION.** Upon a sale, exchange or other taxable disposition of a Warrant or Warrant Shares, a holder generally will recognize gain or loss for federal income tax purposes in an amount equal to the difference between (i) the sum of the amount of cash and fair market value of any property received upon such sale, exchange or other disposition and (ii) the holder's adjusted tax basis in the Warrant or Warrant Shares being sold. Any gain or loss recognized upon a sale, exchange or disposition of Warrants or Warrant Shares would be long-term capital gain or loss if the Warrant or stock was held by the holder for more than one year at the time of sale or exchange. In the case of an individual holder of a Warrant or Warrant Shares, the maximum federal income tax rate applicable to net long-term capital gains is twenty-eight percent (28%) if the Warrant or Warrant Shares were held for greater than one year but less than eighteen months and twenty percent (20%) if the Warrant or Warrant Shares were held for more than eighteen months. The consequences of a sale or disposition to the holder should not differ (except potentially as to holding periods--See Taxation of Warrants--Exercise above) if the Warrants are recharacterized as stock on the day they are issued.

**LAPSE.** Upon the lapse of a Warrant, a holder will recognize a capital loss equal to such holder's adjusted tax basis in the Warrant. If the Warrant was treated as stock on the date of issuance, and the Warrant was never exercised, the treatment of such Warrant generally should not differ.

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#### PLAN OF DISTRIBUTION

The Warrants and the Warrant Shares may be sold from time to time to purchasers directly by the Selling Holders. Alternatively, the Selling Holders may from time to time offer the Warrants or the Warrant Shares to or through underwriters, broker/dealers or agents, who may receive compensation in the form of underwriting discounts, concessions or commissions from the Selling Holders or the purchasers of such securities for whom they may act as agents. The Selling Holders and any underwriters, broker/dealers or agents that participate in the distribution of Warrants or the Warrant Shares may be deemed to be "underwriters" within the meaning of the Securities Act and any profit on the sale of such securities and any discounts, commissions, concessions or other compensation received by any such underwriter, broker/ dealer or agent may be deemed to be underwriting discounts and commissions under the Securities Act.

The Warrants and the Warrant Shares may be sold from time to time in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale or at negotiated prices. The sale of the Warrants and the Warrant Shares may be effected in transactions (which may involve crosses or block transactions) (i) on any national securities exchange or quotation service on which such securities may be listed or quoted at the time of sale, (ii) in the over-the-counter market, (iii) in transactions otherwise than on such exchanges or in the over-the-counter market or (iv) through the writing of options. At the time a particular offering of the Warrants or the Warrant Shares is made, a supplement to this Prospectus (a "Prospectus Supplement"), if required, will be distributed which will set forth the aggregate amount of Warrants or Warrant Shares being offered and the terms of the offering, including the name or names of any underwriters, broker/dealers or agents, any discounts, commissions and other terms constituting compensation from the Selling Holders and any discounts, commissions or concessions allowed or reallocated or paid to broker/dealers. Each broker/dealer that receives the Warrants or Warrant Shares for its own account pursuant to this Prospectus must acknowledge that it will deliver the Prospectus and any Prospectus Supplement in connection with any sale of such Warrants or Warrant Shares.

To comply with the securities laws of certain jurisdictions, if applicable,

the Warrants and Warrant Shares will be offered or sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain jurisdictions the Warrants and Warrant Shares may not be offered or sold unless they have been registered or qualified for sale in such jurisdictions or any exemption from registration or qualification is available and is complied with.

The Selling Holders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, which provisions may limit the timing of purchases and sales of any of the Warrants or Warrant Shares by the Selling Holders. The foregoing may affect the marketability of such securities.

Pursuant to the Warrant Registration Rights Agreement, certain expenses of the registration of the Warrants and Warrant Shares hereunder will be paid by the Company, including, without limitation, Commission filing fees and expenses of compliance with state securities or "blue sky" laws; provided, however, that the Selling Holders will pay all underwriting discounts, selling commissions and transfer taxes, if any applicable to any sales pursuant to the Registration Statement. The Issuer has agreed to indemnify the Selling Holders against certain civil liabilities, including certain liabilities under the Securities Act, and the Selling Holders will be entitled to contribution in connection with any such registration and any sales pursuant thereto. The Company will be indemnified by the Selling Holders severally against certain civil liabilities, including certain liabilities under the Securities Act, or will be entitled to contribution in connection with any such registration and any sales pursuant to the Registration Statement.

LEGAL MATTERS

Certain legal matters in connection with the registration of Warrants pursuant to this Prospectus will be passed upon for the Issuer by Skadden Arps, Slate, Meagher & Flom LLP and in connection with the

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Warrant Shares by Schreck Morris, Las Vegas, Nevada. Certain matters with respect to tax issues will be passed upon by Skadden, Arps, Slate, Meagher & Flom LLP.

EXPERTS

The balance sheets of the Issuer, Holdings, Capital and the Company as of December 31, 1997 and the statements of changes in equity and cash flows of each such entity for the period from their inception to December 31, 1997, together with the notes thereto, appearing in this Prospectus, have been audited by Arthur Andersen LLP, independent public accountants, as set forth in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

The financial statements of London Clubs as of March 29, 1998 and March 30, 1997 and for the 52 week period ended March 29, 1998, and the 53 week period ended March 30, 1997 included in this Prospectus have been so included in reliance on the report of Price Waterhouse, independent accountants, given on the authority of said firm as experts in accounting and auditing.

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INDEX TO HISTORICAL FINANCIAL INFORMATION OF THE ALADDIN PARTIES AND THE COMPANY

Set forth below is certain historical financial information concerning the Company and the Aladdin Parties. Potential investors should note that the Aladdin Parties and the Company are development stage companies and the attached financial information is not indicative of future results of operations.

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<CAPTION>	
<S>	<C>
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ALADDIN GAMING HOLDINGS, LLC  
AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 1997

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Members of  
Aladdin Gaming Holdings, LLC and subsidiaries:

We have audited the accompanying consolidated balance sheet of ALADDIN GAMING HOLDINGS, LLC (a Nevada Limited-Liability Company) and SUBSIDIARIES, as of December 31, 1997, and the related consolidated statements of members' equity and cash flows for the period from inception (December 1, 1997) through December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aladdin Gaming Holdings, LLC and subsidiaries, as of December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Las Vegas, Nevada  
January 15, 1998, except  
for Note 6, as to which  
the date is February 26, 1998

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ALADDIN GAMING HOLDINGS, LLC  
AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEET  
AS OF DECEMBER 31, 1997

<TABLE>

<S>

<C>

ASSETS

Cash.....	\$ 6,895
Total Assets.....	\$ 6,895

LIABILITIES AND MEMBERS' EQUITY

Due to Sommer Trust.....	\$ 1,245
Advances to purchase membership interests.....	2,850
Members' equity.....	2,800
Total Liabilities and Members' Equity.....	\$ 6,895

</TABLE>

The accompanying notes are an integral part of this consolidated financial statement.

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ALADDIN GAMING HOLDINGS, LLC  
AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED STATEMENT OF MEMBERS' EQUITY  
FOR THE PERIOD FROM INCEPTION (DECEMBER 1, 1997)  
THROUGH DECEMBER 31, 1997

<TABLE>	<C>
<S>	
BALANCE, December 1, 1997.....	\$ --
Members' contribution.....	2,800
BALANCE, December 31, 1997.....	\$ 2,800

</TABLE>

The accompanying notes are an integral part of this consolidated financial statement.

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ALADDIN GAMING HOLDINGS, LLC  
AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM INCEPTION (DECEMBER 1, 1997)  
THROUGH DECEMBER 31, 1997

<TABLE>	<C>
<S>	
CASH FLOWS FROM FINANCING ACTIVITIES:	
Due to Sommer Trust.....	\$ 1,245
Members' contributions.....	2,800
Advances to purchase membership interests.....	2,850
INCREASE IN CASH AND CASH EQUIVALENTS.....	6,895
CASH AND CASH EQUIVALENTS, December 1, 1997.....	--
CASH AND CASH EQUIVALENTS, December 31, 1997.....	\$ 6,895

</TABLE>

The accompanying notes are an integral part of this consolidated financial statement.

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ALADDIN GAMING HOLDINGS, LLC  
AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 1997

1. ORGANIZATION AND BUSINESS

Aladdin Gaming Holdings, LLC, a Nevada limited-liability company ("Gaming Holdings"), was established on December 1, 1997. Gaming Holdings is owned by Aladdin Gaming Enterprises, Inc. (25%), a Nevada corporation, Sommer Enterprises, LLC (72%), a Nevada limited-liability company, and GAI, LLC (3%), a Nevada limited-liability company. See Note 5 regarding the agreement to purchase membership interests. Aladdin Holdings, LLC, a Delaware limited liability company ("Holdings"), indirectly holds a majority interest in Gaming Holdings. The members of Holdings are the Trust Under Article Sixth u/w/o Sigmund Sommer (the "Sommer Trust") which holds a 95% interest in Holdings, and GW Vegas, LLC, a Nevada limited-liability company ("GW"), a wholly owned subsidiary of Trust Company of the West ("TCW"), which holds a 5% interest in Holdings.

Distributions shall be made in accordance with the respective ownership interests subject to Gaming Holdings' operating agreement.

Since the planned principal operations had not commenced as of December 31, 1997, Gaming Holdings has accounted for its operations as a development stage company. There were no operations during the period from inception (December 1, 1997) through December 31, 1997 and hence no statement of income has been prepared.

## 2. PRINCIPLES OF CONSOLIDATION AND PRESENTATION

The consolidated financial statements include the accounts of Gaming Holdings and its subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

Gaming Holdings' wholly owned subsidiaries are Aladdin Capital Corp., a Nevada corporation, and Aladdin Gaming, LLC, a Nevada limited-liability company.

## 3. INCOME TAXES

Gaming Holdings will file federal information tax returns only. Each member reports taxable income or loss on their respective tax returns.

## 4. PURCHASE OF RESTRICTED MEMBERSHIP INTERESTS

Certain members of Gaming Holdings' executive management have purchased unvested restricted membership interests in 4.75% of Gaming Holdings' stock. These membership interests will vest over approximately a four-year period. As of December 31, 1997, none of these membership interests had vested.

## 5. COMMITMENTS

On September 24, 1997 Gaming Holdings, the Sommer Trust, Holdings, Sommer Enterprises, London Clubs International plc, a company registered in the United Kingdom ("London Clubs") and London Clubs Nevada Inc. ("LCNI") entered into a purchase agreement (subsequently amended) providing for the acquisition by LCNI of 25 percent of Gaming Holdings' common membership interests for a purchase

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ALADDIN GAMING HOLDINGS, LLC  
AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997

## 5. COMMITMENTS (CONTINUED)

price of \$50.0 million. LCNI's obligation to purchase such membership interests is subject to the satisfaction or waiver of various conditions.

## 6. SUBSEQUENT EVENTS

### Private Offering

On February 26, 1998, Gaming Holdings, Aladdin Capital Corp. ("Capital" and, together with Gaming Holdings, the "Issuers") and Aladdin Gaming Enterprises, Inc. consummated a private offering (the "Offering") under Rule 144A of the Securities Exchange Act of 1933. The private offering consisted of 221,500 units (the "Units"), each unit consisting of (i) \$1,000 principal amount at maturity of 13 1/2% Senior Discount Notes due 2010 (the "Notes") of Gaming Holdings and Capital and (ii) 10 Warrants (the "Warrants") to purchase 10 shares of Class B non-voting Common Stock, no par value, of Aladdin Gaming Enterprises, Inc.

The initial accreted value of the Notes is \$519.40 per \$1,000 principal amount at maturity of the Notes. The Notes will mature on March 1, 2010. The Notes will accrete at 13 1/2% (computed on a semi-annual bond equivalent basis) based on the initial accreted value, calculated from February 26, 1998. Cash interest on the Notes will not accrue prior to March 1, 2003. Thereafter, cash interest on the Notes will accrue at the rate of 13 1/2% per annum based on the

accreted value at maturity of the Notes and will be payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2003.

The Notes are secured by a first priority pledge of all amounts held in a segregated construction disbursement account (the "Note Construction Disbursement Account") and by a first priority pledge of all of the issued and outstanding Series A Preferred Interests of Gaming Holdings in Aladdin Gaming, LLC. The Note Construction Disbursement Account is comprised of approximately \$35 million remaining proceeds from the Offering, after the application of the net proceeds to repay certain previously existing indebtedness and certain fees and expenses.

The Indenture to the Notes contains certain covenants that (subject to certain exceptions) restrict the ability of the Issuers and certain of their subsidiaries to, among other things: (i) make restricted payments; (ii) incur additional indebtedness and issue preferred stock; (iii) incur liens; (iv) pay dividends or make other distributions; (v) enter into mergers or consolidations; (vi) enter into certain transactions with affiliates or (vii) enter into new lines of business.

Equity Contributions

On February 26, 1998, LCNI contributed \$50.0 million ("London Clubs Contribution") for 25% of Gaming Holdings common membership interests. Sommer Enterprises, LLC contributed a portion of land in exchange for common membership interests in Gaming Holdings. Aladdin Gaming Enterprises, Inc. contributed the portion of land and \$7.0 million of predevelopment costs, which were originally received from Sommer Enterprises, Inc. and the net proceeds (approximately \$15 million) allocable from the sale of

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ALADDIN GAMING HOLDINGS, LLC  
AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997

6. SUBSEQUENT EVENTS (CONTINUED)

the Warrants to Gaming Holdings in exchange for 25% of the common membership interests in Gaming Holdings.

Investments

Gaming Holdings contributed the land appraised at \$150.0 million, approximately \$42 million in cash from the London Clubs Contribution and the \$7.0 million of predevelopment costs in exchange for 100% of the common membership interests in Aladdin Gaming, LLC. Gaming Holdings also contributed \$115 million in cash, consisting of the net proceeds of the sale of the Units and approximately \$8 million from the London Clubs Contribution to Aladdin Gaming, LLC in exchange for 100% of the Series A Preferred Interests.

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ALADDIN GAMING HOLDINGS, LLC  
AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS  
AS OF MARCH 31, 1998

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ALADDIN GAMING HOLDINGS, LLC  
AND SUBSIDIARIES

(A DEVELOPMENT STAGE COMPANY)  
BALANCE SHEET  
AS OF MARCH 31, 1998

<TABLE>  
<CAPTION>

<S>

MARCH 31, 1998  
-----  
<C>  
(UNAUDITED)

ASSETS		MARCH 31, 1998
Cash.....	\$	406,559
Property and equipment:		

Land.....	33,407,500
Furniture and equipment.....	546,976
Construction in progress.....	13,492,315
Capitalized interest.....	544,283
	-----
Total property and equipment.....	47,991,074
	-----
Other assets:	
Restricted cash.....	308,293,229
Restricted land.....	6,842,500
Other assets.....	1,964,435
Debt issuance costs, net of accumulated amortization of \$285,255 as of March 31, 1998.....	36,884,511
	-----
Total other assets.....	353,984,675
	-----
Total assets.....	\$ 402,382,308
	-----
	-----
LIABILITIES AND MEMBER'S EQUITY	
Current liabilities:	
Current maturities of long-term debt.....	\$ 187,324
Payable to related parties.....	360,629
Obligation to transfer land.....	6,842,500
Accrued expenses.....	4,352,850
	-----
Total current liabilities.....	11,743,303
	-----
Long-term debt.....	375,749,612
Advances to purchase membership interests.....	2,850
Members' equity:	
Common membership interest.....	28,607,979
Accumulated Deficit.....	(13,721,436)
	-----
Total members' equity.....	14,886,543
	-----
Total liabilities and members' equity.....	\$ 402,382,308
	-----
	-----

</TABLE>

The accompanying notes are an integral part of these financial statements.

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ALADDIN GAMING HOLDINGS, LLC  
AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 1998 AND FOR THE PERIOD  
FROM INCEPTION (DECEMBER 1, 1997) THROUGH MARCH 31, 1998

<TABLE>  
<CAPTION>

	MARCH31, 1998	FOR THE PERIOD DECEMBER 1, 1997 (INCEPTION) THROUGH MARCH 31, 1998
	-----	-----
<S>	<C>	<C>
	(UNAUDITED)	(UNAUDITED)
Pre-opening costs.....	\$ 11,462,928	\$ 11,462,928
Other (income) expense:		
Interest income.....	(1,584,938)	(1,584,938)
Interest expense.....	4,387,729	4,387,729
Less: Interest capitalized.....	(544,283)	(544,283)
	-----	-----
Total other (income) expense.....	2,258,508	2,258,508
	-----	-----
Net loss.....	\$ (13,721,436)	\$ (13,721,436)
	-----	-----
	-----	-----

</TABLE>

The accompanying notes are an integral part of these financial statements.

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ALADDIN GAMING HOLDINGS, LLC  
AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF MEMBERS' EQUITY  
FOR THE PERIOD FROM DECEMBER 31, 1997  
THROUGH MARCH 31, 1998  
(UNAUDITED)

<TABLE>  
<CAPTION>

	SOMMER ENTERPRISES, LLC	ALADDIN GAMING ENTERPRISES, INC.	LONDON CLUBS NEVADA, INC.	GAI, LLC	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE, DECEMBER 31, 1997.....	\$ 669	\$ 331	\$ --	\$ 1,800	\$ 2,800
Net loss.....	\$ (6,449,075)	\$ (3,430,359)	\$ (3,430,359)	\$ (411,643)	\$ (13,721,436)
Members' contributions.....	(47,317,023)	28,247,202	50,000,000	--	30,930,179
Members' equity costs.....	(1,092,750)	(581,250)	(581,250)	(69,750)	(2,325,000)
BALANCE, MARCH 31, 1998.....	\$ (54,858,179)	\$ 24,235,924	\$ 45,988,391	\$ (479,593)	\$ 14,886,543

</TABLE>

The accompanying notes are an integral part of these financial statements.

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ALADDIN GAMING HOLDINGS, LLC AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 1998 AND FOR THE PERIOD  
FROM INCEPTION (DECEMBER 1, 1997) THROUGH MARCH 31, 1998

<TABLE>  
<CAPTION>

	FOR THE THREE MONTHS ENDED MARCH 31, 1998	FOR THE PERIOD DECEMBER 1, 1997 (INCEPTION) THROUGH MARCH 31, 1998
	(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss.....	\$ (13,721,436)	\$ (13,721,436)
Increase in other assets.....	(1,964,435)	(1,964,435)
Amortization of debt costs.....	285,255	285,255
Amortization of original issue discount.....	1,388,083	1,388,083
Increase in accrued expenses.....	4,352,850	4,352,850
Increase in accrued fee to related party.....	359,384	359,384
Net cash used in operating activities.....	(9,300,299)	(9,300,299)
Cash flows from investing activities:		
Payments for construction in progress and capitalized interest.....	(7,036,598)	(7,036,598)
Increase in restricted cash.....	(308,293,229)	(308,293,229)
Net cash used in investing activities.....	(315,329,827)	(315,329,827)
Cash flows from financing activities:		
Proceeds from issuance of notes.....	100,047,100	100,047,100
Proceeds from long-term debt.....	274,000,000	274,000,000
Repayment of long-term debt.....	(45,223)	(45,223)
Debt issuance costs.....	(37,169,766)	(37,169,766)
Members' contributions.....	65,000,000	65,002,800
Repayment of existing debt.....	(74,477,321)	(74,477,321)
Members' equity costs.....	(2,325,000)	(2,325,000)
Payable to related parties.....	--	1,245
Advances to purchase membership interests.....	--	2,850
Net cash provided by financing activities.....	325,029,790	325,036,685
Net increase in cash.....	399,664	406,559

Cash at the beginning of the period.....	6,895	--
Cash at the end of the period.....	\$ 406,559	\$ 406,559
Cash paid for interest, net of amount capitalized.....	\$ 364,756	\$ 364,756
Non-cash investing and financing activities:		
Members' contributions -- book value		
Land.....	33,407,500	33,407,500
Construction in progress.....	7,000,000	7,000,000
Equipment acquired equal to assumption of debt.....	546,976	546,976

</TABLE>

The accompanying notes are an integral part of these financial statements.

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ALADDIN GAMING HOLDINGS, LLC  
AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1998

#### 1. ORGANIZATION AND BUSINESS

Aladdin Gaming Holdings, LLC, a Nevada limited company ("Gaming Holdings"), was established on December 1, 1997. Gaming Holdings was initially owned by Aladdin Gaming Enterprises, Inc. (25%), a Nevada corporation, Sommer Enterprises, LLC (72%), a Nevada limited-liability company, and GAI, LLC (3%), a Nevada limited-liability company. On February 26, 1998, (a) London Clubs Nevada, Inc., (LCNI) contributed \$50.0 million for a 25% interest of Gaming Holdings common membership interests, (b) Sommer Enterprises, LLC contributed land for common membership interests in Gaming Holdings and (c) Aladdin Gaming Enterprises, Inc. contributed land, \$7.0 million of predevelopment costs and \$15.0 million in cash for common membership interests in Gaming Holdings. After such contributions, Sommer Enterprises, LLC owns 47% and LCNI owns 25% of Gaming Holdings with the remaining membership interests unchanged.

Aladdin Holdings, LLC, a Delaware limited liability company ("Holdings"), indirectly holds a majority interest in Gaming Holdings. The members of Holdings are the Trust Under Article Sixth u/w/o Sigmund Sommer (the "Sommer Trust") which holds a 95% interest in Holdings, and GW Vegas, LLC, a Nevada limited-liability company ("GW"), a wholly owned subsidiary of Trust Company of the West ("TCW"), which holds a 5% interest in Holdings.

Distributions shall be made in accordance with the respective ownership interests subject to the Company's operating agreement.

Gaming Holdings, through its subsidiaries, plans to develop, construct and operate a new hotel and casino, the Aladdin Hotel and Casino (the "Aladdin"), as the centerpiece of an approximately 35 acre world-class resort, casino and entertainment complex in Las Vegas, Nevada. The resort will be located at the center of Las Vegas Boulevard ("the Strip").

#### 2. PRINCIPLES OF CONSOLIDATION AND PRESENTATION

The consolidated financial statements include the accounts of Aladdin Gaming Holdings, LLC and its subsidiaries (collectively known as the "Company"). All significant intercompany accounts and transactions are eliminated in consolidation.

Gaming Holding's wholly owned subsidiaries are Aladdin Capital Corp., a Nevada corporation, and Aladdin Gaming, LLC, a Nevada limited-liability company.

#### 3. PREOPENING EXPENSES

The Company expenses preopening costs in the period during which they were incurred.

#### 4. INCOME TAXES

The Company will file federal information tax returns only. Each member reports taxable income or loss on their respective tax returns.

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ALADDIN GAMING HOLDINGS, LLC  
AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

5. PURCHASE OF RESTRICTED MEMBERSHIP INTERESTS

Certain members of Aladdin Gaming Holdings, LLC's executive management have purchased unvested restricted membership interests in 4.75% of Gaming Holdings, LLC. These membership interests will vest over approximately a four-year period beginning at the opening of the Aladdin Hotel and Casino. As of March 31, 1998, none of these membership interests had vested.

6. PRIVATE OFFERING

On February 26, 1998, Gaming Holdings, Aladdin Capital Corp. ("Capital" and, together with Gaming Holdings, the "Issuers") and Aladdin Gaming Enterprises, Inc. consummated a private offering (the "Offering") under Rule 144A of the Securities Act of 1933. The private offering consisted of 221,500 units (the "Units"), each unit consisting of (i) \$1,000 principal amount of maturity of 13 1/2% Senior Discount Notes due 2010 (the "Notes") of Gaming Holdings and Capital and (ii) 10 Warrants (the "Warrants") to purchase 10 shares of Class B non-voting Common Stock, no par value, of Aladdin Gaming Enterprises, Inc.

The initial accreted value of the Notes was \$519.40 per \$1,000 principal amount at maturity of the Notes. The Notes will mature on March 1, 2010. The Notes will accrete at 13 1/2% (computed on a semi-annual bond equivalent basis) based on the initial accreted value, calculated from February 26, 1998. Cash interest on the Notes will not accrue prior to March 1, 2003. Thereafter, cash interest on the Notes will accrue at the rate of 13 1/2% per annum based on the accreted value at maturity of the Notes and will be payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2003.

The Notes are secured by a first priority pledge of all amounts held in a segregated construction disbursement account (the "Note Construction Disbursement Account") and by a first priority pledge of all of the issued and outstanding Series A Preferred Interests of Aladdin Gaming, LLC held by Gaming Holdings. As of March 31, 1998, the Note Construction Disbursement Account comprised approximately \$32.9 million remaining proceeds from the Offering, after the application of the net proceeds to repay certain previously existing indebtedness and certain fees and expenses.

The Indenture to the Notes contains certain covenants that (subject to certain exceptions) restrict the ability of the Issuers and certain of their subsidiaries to, among other things: (i) make restricted payments; (ii) incur additional indebtedness and issue preferred stock; (iii) incur liens; (iv) pay dividends or make other distributions; (v) enter into mergers or consolidations; (vi) enter into certain transactions with affiliates or (vii) enter into new lines of business.

7. LONG-TERM DEBT

On February 26, 1998, Aladdin Gaming, LLC entered into a \$410.0 million Credit Agreement with various financial institutions and the Bank of Nova Scotia as the administrative agent for the lenders. The Credit Agreement consists of a Term A loan of \$136.0 million, a Term B loan of \$114.0 million and a Term C loan of \$160.0 million. Both the Term B and Term C loans were funded by the lenders on February 26, 1998 and the funds are held by Aladdin Gaming, LLC for the future development of the Aladdin. Under the Credit Agreement, the funds cannot be utilized until the proceeds from the private offering are

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ALADDIN GAMING HOLDINGS, LLC  
AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1998 (CONTINUED)

7. LONG-TERM DEBT (CONTINUED)

completely exhausted and certain other conditions to disbursement have been satisfied. As of March 31, 1998, the Term A Loan has not been funded.

The Term B loan is for a maximum term of 8.5 years from the date of funding and the Term C loan is for a maximum of 10 years. The Term B loan bears interest at rate of 7.883% until the funds are utilized for the project at which time the rate increases to 9.383%. The Term C loan bears interest at a rate of 8.485% until the funds are utilized for the project at which time the rate increases to 10.485%. In addition to quarterly interest payments, each loan has various principal payment requirements once the Aladdin is completed and operating. Except in the case of defaults, no principal repayments are required prior to the opening of the Aladdin.

8. RESTRICTED LAND

Approximately 12.4 acres of land was deeded to Aladdin Gaming, LLC on February 26, 1998, with an obligation to transfer such land to Aladdin Bazaar, LLC at a future date. Aladdin Bazaar, LLC intends to construct and operate a themed entertainment shopping mall and a 4,800 space car parking facility (the "Mall Project"). The Mall Project is expected to be an integral part of the Aladdin entertainment complex.

9. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 requires companies to classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity sections of a statement of financial position, and is effective for financial statements issued for fiscal years beginning after December 15, 1997. The Company has adopted SFAS No. 130, during the three-month period ended March 31, 1998 and has determined that such adoption will not result in comprehensive income different from net income as reported in the accompanying financial statements.

In June 1997, the FASB issued SFAS no. 131, "Disclosure About Segments of an Enterprise and Related Information." SFAS No. 131 establishes additional standards for segment reporting in financial statements and is effective for fiscal years beginning after December 15, 1997. The Company currently operates as one segment.

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ALADDIN CAPITAL CORP.  
(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 1997

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Board of Directors and Stockholders of  
Aladdin Capital Corp.:

We have audited the accompanying balance sheet of ALADDIN CAPITAL CORP. (a Nevada Corporation), as of December 31, 1997, and the related statements of stockholders' equity and cash flows for the period from inception (December 1, 1997) through December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aladdin Capital Corp., as of December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Las Vegas, Nevada  
January 15, 1998, except  
for Note 3, as to which  
the date is February 26, 1998

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ALADDIN CAPITAL CORP.  
(A DEVELOPMENT STAGE COMPANY)  
BALANCE SHEET  
AS OF DECEMBER 31, 1997

<TABLE>  
<S>

<C>

ASSETS

Cash..... \$ 1,000  
-----

Total Assets.....	\$ 1,000
	-----
	-----
LIABILITIES AND STOCKHOLDERS' EQUITY	
Common Stock, no par value, 2,500 shares authorized, issued and outstanding.....	\$ 1,000
	-----
Total Liabilities and Stockholders' Equity.....	\$ 1,000
	-----
	-----

</TABLE>

The accompanying notes are an integral part of this financial statement.

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ALADDIN CAPITAL CORP.  
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF STOCKHOLDERS' EQUITY  
FOR THE PERIOD FROM INCEPTION (DECEMBER 1, 1997)  
THROUGH DECEMBER 31, 1997

<TABLE>  
<CAPTION>

	SHARES ISSUED	AMOUNT	TOTAL
	-----	-----	-----
<S>	<C>	<C>	<C>
BALANCE, December 1, 1997.....	--	\$ --	\$ --
Issuance of common stock.....	2,500	1,000	1,000
	-----	-----	-----
BALANCE, December 31, 1997.....	2,500	\$ 1,000	\$ 1,000
	-----	-----	-----
	-----	-----	-----

</TABLE>

The accompanying notes are an integral part of this financial statement.

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ALADDIN CAPITAL CORP.  
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM INCEPTION (DECEMBER 1, 1997)  
THROUGH DECEMBER 31, 1997

<TABLE>  
<S>

	<C>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from the issuance of stock.....	\$ 1,000
	-----
INCREASE IN CASH AND CASH EQUIVALENTS.....	1,000
CASH AND CASH EQUIVALENTS, December 1, 1997.....	--
	-----
CASH AND CASH EQUIVALENTS, December 31, 1997.....	\$ 1,000
	-----
	-----

</TABLE>

The accompanying notes are an integral part of this financial statement.

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ALADDIN CAPITAL CORP.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1997

1. ORGANIZATION AND BUSINESS

Aladdin Capital Corp., a Nevada corporation ("Capital"), was established on December 1, 1997. Capital is wholly owned by Aladdin Gaming Holdings, LLC, a Nevada limited-liability company ("Gaming Holdings"). Aladdin Holdings, LLC, a Delaware limited liability company ("Holdings"), indirectly holds a majority interest in Gaming Holdings. The members of Holdings are the Trust Under Article Sixth u/w/o Sigmund Sommer (the "Sommer Trust") which holds a 95% interest in

Holdings, and GW Vegas, LLC, a Nevada limited-liability company ("GW"), a wholly owned subsidiary of Trust Company of the West ("TCW"), which holds a 5% interest in Holdings.

Since the planned principal operations had not commenced as of December 31, 1997, Capital has accounted for its operations as a development stage company. There were no operations during the period from inception (December 1, 1997) through December 31, 1997 and hence no statement of income has been prepared.

## 2. INCOME TAXES

Capital accounts for income taxes using the liability method as set forth in Statement of Financial Accounting Standards No. 109, ACCOUNTING FOR INCOME TAXES. Under the liability method, deferred taxes are provided based on the temporary differences between the financial reporting basis and the tax basis of Capital's assets and liabilities.

There was no income tax expense or benefit recorded for the period from inception (December 1, 1997) through December 31, 1997 as Capital is a development stage company and operations have not yet commenced.

## 3. SUBSEQUENT EVENTS

### Private Offering

On February 26, 1998, Gaming Holdings, Capital (together with Gaming Holdings, the "Issuers") and Aladdin Gaming Enterprises, Inc. consummated a private offering (the "Offering") under Rule 144A of the Securities Exchange Act of 1933. The private offering consisted of 221,500 units (the "Units"), each unit consisting of (i) \$1,000 principal amount at maturity of 13 1/2% Senior Discount Notes due 2010 (the "Notes") of Gaming Holdings and Capital and (ii) 10 Warrants (the "Warrants") to purchase 10 shares of Class B non-voting Common Stock, no par value, of Aladdin Gaming Enterprises, Inc.

The initial accreted value of the Notes is \$519.40 per \$1,000 principal amount at maturity of the Notes. The Notes will mature on March 1, 2010. The Notes will accrete at 13 1/2% (computed on a semi-annual bond equivalent basis) based on the initial accreted value, calculated from February 26, 1998. Cash interest on the Notes will not accrue prior to March 1, 2003. Thereafter, cash interest on the Notes will accrue at the rate of 13 1/2% per annum based on the accreted value at maturity of the Notes and will be payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2003.

The Notes are secured by a first priority pledge of all amounts held in a segregated construction disbursement account (the "Note Construction Disbursement Account") and by a first priority pledge of all of the issued and outstanding Series A Preferred Interests of Gaming Holdings in Aladdin Gaming,

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## 3. SUBSEQUENT EVENTS (CONTINUED)

LLC. The Note Construction Disbursement Account is comprised of approximately \$35 million remaining proceeds from the Offering, after the application of the net proceeds to repay certain previously existing indebtedness and certain fees and expenses.

The Indenture to the Notes contains certain covenants that (subject to certain exceptions) restrict the ability of the Issuers and certain of their subsidiaries to, among other things: (i) make restricted payments; (ii) incur additional indebtedness and issue preferred stock, (iii) incur liens; (iv) pay dividends or make other distributions; (v) enter into mergers or consolidations; (vi) enter into certain transactions with affiliates or (vii) enter into new lines of business.

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ALADDIN CAPITAL CORP.  
(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS  
AS OF MARCH 31, 1998

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ALADDIN CAPITAL CORP.  
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEET  
AS OF MARCH 31, 1998

<TABLE>  
<S>

<C>

## ASSETS

Cash.....	\$ 1,000
Total Assets.....	\$ 1,000

## LIABILITIES AND STOCKHOLDERS' EQUITY

Common Stock, no par value, 2,500 shares authorized, issued and outstanding.....	\$ 1,000
Total Liabilities and Stockholders' Equity.....	\$ 1,000

&lt;/TABLE&gt;

The accompanying notes are an integral part of these financial statements.

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ALADDIN CAPITAL CORP.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 1998

## 1. ORGANIZATION AND BUSINESS

Aladdin Capital Corp., a Nevada corporation ("Capital"), was established on December 1, 1997. Capital is wholly owned by Aladdin Gaming Holdings, LLC, a Nevada limited-liability company ("Gaming Holdings"). Aladdin Holdings, LLC, a Delaware limited liability company ("Holdings"), indirectly holds a majority interest in Gaming Holdings. The members of Holdings are the Trust Under Article Sixth u/w/o Sigmund Sommer (the "Sommer Trust") which holds a 95% interest in Holdings, and GW Vegas, LLC, a Nevada limited-liability company ("GW"), a wholly owned subsidiary of Trust Company of the West ("TCW"), which holds a 5% interest in Holdings.

Capital was formed for the sole purpose of being a joint issuer of the 13 1/2% Senior Discount Notes due 2010 (See "Private Offering"). There were no operations or cash transactions during the period from December 31, 1997 through March 31, 1998 and hence no statement of income or cash flows has been prepared.

## 2. INCOME TAXES

Capital accounts for income taxes using the liability method as set forth in Statement of Financial Accounting Standards No. 109, ACCOUNTING FOR INCOME TAXES. Under the liability method, deferred taxes are provided based on the temporary differences between the financial reporting basis and the tax basis of Capital's assets and liabilities.

There was no income tax expense or benefit recorded for the period from inception (December 1, 1997) through March 31, 1998 as Capital is a development stage company and operations have not yet commenced.

## 3. PRIVATE OFFERING

On February 26, 1998, Gaming Holdings, Capital (together with Gaming Holdings, the "Issuers") and Aladdin Gaming Enterprises, Inc. consummated a private offering (the "Offering") under Rule 144A of the Securities Act of 1933. The private offering consisted of 221,500 units (the "Units"), each unit consisting of (i) \$1,000 principal amount of maturity of 13 1/2% Senior Discount Notes due 2010 (the "Notes") of Gaming Holdings and Capital and (ii) 10 Warrants (the "Warrants") to purchase 10 shares of Class B non-voting Common Stock, no par value, of Aladdin Gaming Enterprises, Inc.

The initial accreted value of the Notes was \$519.40 per \$1,000 principal amount at maturity of the Notes. The Notes will mature on March 1, 2010. The Notes will accrete at 13 1/2% (computed on a semi-annual bond equivalent basis) based on the initial accreted value, calculated from February 26, 1998. Cash interest on the Notes will not accrue prior to March 1, 2003. Thereafter, cash interest on the Notes will accrue at the rate of 13 1/2% per annum based on the accreted value at maturity of the Notes and will be payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2003.

The Notes are secured by a first priority pledge of all amounts held in a segregated construction disbursement account (the "Note Construction Disbursement Account") and by a first priority pledge of all of the issued and outstanding Series A Preferred Interests of Aladdin Gaming, LLC held by Gaming Holdings. As of March 31, 1998, the Note Construction Disbursement Account comprised approximately

ALADDIN CAPITAL CORP.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 1998 (CONTINUED)

3. PRIVATE OFFERING (CONTINUED)

\$32.9 million remaining proceeds from the Offering, after the application of the net proceeds to repay certain previously existing indebtedness and certain fees and expenses.

The Indenture to the Notes contains certain covenants that (subject to certain exceptions) restrict the ability of the Issuers and certain of their subsidiaries to, among other things: (i) make restricted payments; (ii) incur additional indebtedness and issue preferred stock; (iii) incur liens; (iv) pay dividends or make other distributions; (v) enter into mergers or consolidations; (vi) enter into certain transactions with affiliates or (vii) enter into new lines of business.

4. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 requires companies to classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity sections of a statement of financial position, and is effective for financial statements issued for fiscal years beginning after December 15, 1997. The Company has adopted SFAS No. 130, during the three-month period ended March 31, 1998 and has determined that such adoption will not result in comprehensive income different from net income.

In June 1997, the FASB issued SFAS no. 131, "Disclosure About Segments of an Enterprise and Related Information." SFAS No. 131 establishes additional standards for segment reporting in financial statements and is effective for fiscal years beginning after December 15, 1997. The Company currently operates as one segment.

ALADDIN GAMING, LLC  
(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 1997

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Members of  
Aladdin Gaming, LLC:

We have audited the accompanying balance sheet of ALADDIN GAMING, LLC (a Nevada Limited-Liability Company), as of December 31, 1997, and the related statements of members' equity and cash flows for the period from inception (January 24, 1997) through December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aladdin Gaming, LLC, as of December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Las Vegas, Nevada  
January 15, 1998, except  
for Note 4, as to which  
the date is February 26, 1998.

ALADDIN GAMING, LLC  
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEET  
AS OF DECEMBER 31, 1997

<TABLE>		
<S>		<C>
	ASSETS	
Cash.....		\$ 5,650
		-----
Total Assets.....		\$ 5,650
		-----
	LIABILITIES AND MEMBERS' EQUITY	
Due to Aladdin Gaming Holdings, LLC.....		\$ 4,650
Members' equity.....		1,000
		-----
Total Liabilities and Members' Equity.....		\$ 5,650
		-----

</TABLE>

The accompanying notes are an integral part of this financial statement.

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ALADDIN GAMING, LLC  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENT OF MEMBERS' EQUITY  
FOR THE PERIOD FROM INCEPTION (JANUARY 24, 1997)  
THROUGH DECEMBER 31, 1997

<TABLE>		
<S>		<C>
BALANCE, January 24, 1997.....		\$ --
Members' contribution.....		1,000
		-----
BALANCE, December 31, 1997.....		\$ 1,000
		-----

</TABLE>

The accompanying notes are an integral part of this financial statement.

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ALADDIN GAMING, LLC  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM INCEPTION (JANUARY 24, 1997)  
THROUGH DECEMBER 31, 1997

<TABLE>		
<S>		<C>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Due to Aladdin Gaming Holdings, LLC.....		\$ 4,650
Members' contributions.....		1,000
		-----
INCREASE IN CASH AND CASH EQUIVALENTS.....		5,650
CASH AND CASH EQUIVALENTS, January 24, 1997.....		--

<CAPTION>

<S>		<C>
CASH AND CASH EQUIVALENTS, December 31, 1997.....		\$ 5,650
		-----

</TABLE>

The accompanying notes are an integral part of this financial statement.

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ALADDIN GAMING, LLC  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

1. ORGANIZATION AND BUSINESS

Aladdin Gaming, LLC, a Nevada limited-liability company (the "Company"), was established on January 24, 1997. The Company is wholly owned by Aladdin Gaming Holdings, LLC, a Nevada limited-liability company ("Gaming Holdings"). Aladdin Holdings, LLC, a Delaware limited liability company ("Holdings"), indirectly holds a majority interest in Gaming Holdings. The members of Holdings are the Trust Under Article Sixth u/w/o Sigmund Sommer (the "Sommer Trust") which holds a 95% interest in Holdings, and GW Vegas, LLC, a Nevada limited-liability company ("GW"), a wholly owned subsidiary of Trust Company of the West ("TCW"), which holds a 5% interest in Holdings.

The Company term is 100 years. Distributions shall be made in accordance with the respective ownership interests subject to the Company's operating agreement.

Since the planned principal operations had not commenced as of December 31, 1997, the Company has accounted for its operations as a development stage company. There were no operations during the period from inception (January 24, 1997) through December 31, 1997 and hence no statement of income has been prepared.

## 2. INCOME TAXES

The Company will file federal information tax returns only. Each member reports taxable income or loss on their respective tax returns.

## 3. COMMITMENTS

The Company has entered into a consulting agreement with GAI, LLC to render consulting services as are reasonably requested by the Board of the Company until June 30, 2002.

The Company has entered into a commitment letter with an equipment finance company for provision of approximately \$80.0 million of financing to obtain gaming and other specified equipment. The financing will be comprised of \$60.0 million of operating leases and \$20.0 million in loans.

The Company has entered into a commitment letter with certain bank lenders for the provision of a bank credit facility. The facility will consist of three separate term loans (Term Loan A, B and C) of \$136.0 million, \$114.0 million and \$160.0 million, respectively. Term A, B and C Loans will mature seven, eight and one-half and ten years after their respective borrowing dates, respectively.

## 4. SUBSEQUENT EVENTS

### Private Offering

On February 26, 1998, Gaming Holdings, Aladdin Capital Corp. ("Capital" and, together with Gaming Holdings, the "Issuers") and Aladdin Gaming Enterprises, Inc. consummated a private offering (the "Offering") under Rule 144A of the Securities Exchange Act of 1933. The private offering consisted of 221,500 units (the "Units"), each unit consisting of (i) \$1,000 principal amount at maturity of 13 1/2% Senior Discount Notes due 2010 (the "Notes") of Gaming Holdings and Capital and (ii) 10 Warrants (the "Warrants") to purchase 10 shares of Class B non-voting Common Stock, no par value, of Aladdin Gaming Enterprises, Inc.

The initial accreted value of the Notes is \$519.40 per \$1,000 principal amount at maturity of the Notes. The Notes will mature on March 1, 2010. The Notes will accrete at 13 1/2% (computed on a semi-annual bond equivalent basis) based on the initial accreted value, calculated from February 26, 1998. Cash interest on the Notes will not accrue prior to March 1, 2003. Thereafter, cash interest on the Notes will

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ALADDIN GAMING, LLC  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997

## 4. SUBSEQUENT EVENTS (CONTINUED)

accrue at the rate of 13 1/2% per annum based on the accreted value at maturity of the Notes and will be payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2003.

The Notes are secured by a first priority pledge of all amounts held in a segregated construction disbursement account (the "Note Construction Disbursement Account") and by a first priority pledge of all of the issued and outstanding Series A Preferred Interests of Gaming Holdings in the Company. The Note Construction Disbursement Account is comprised of approximately \$35 million remaining proceeds from the Offering, after the application of the net proceeds to repay certain previously existing indebtedness and certain fees and expenses.

The Indenture to the Notes contains certain covenants that (subject to certain exceptions) restrict the ability of the Issuers and certain of their subsidiaries to, among other things: (i) make restricted payments; (ii) incur additional indebtedness and issue preferred stock; (iii) incur liens; (iv) pay dividends or make other distributions; (v) enter into mergers or consolidations; (vi) enter into certain transactions with affiliates or (vii) enter into new lines of business.

Equity Contributions

Gaming Holdings contributed land appraised at \$150.0 million, approximately \$42 million in cash from a contribution from London Clubs Nevada Inc. ("LCNI") and \$7.0 million of predevelopment costs in exchange for 100% of the common membership interests in the Company. Gaming Holdings also contributed \$115 million in cash, consisting of the net proceeds of the sale of the Units and approximately \$8 million from LCNI to the Company in exchange for 100% of the Series A Preferred Interests.

Bank Indebtedness

On February 26, 1998, the Company entered into the bank credit facility for \$410 million as discussed above in Note 3.

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ALADDIN GAMING, LLC  
(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS  
AS OF MARCH 31, 1998

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ALADDIN GAMING, LLC  
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEET  
AS OF MARCH 31, 1998

<TABLE>  
<CAPTION>

	MARCH 31, 1998
	-----
<S>	<C>
	(UNAUDITED)
	-----
	ASSETS
Cash.....	\$ 405,314
Property and equipment:	
Land.....	33,407,500
Furniture and equipment.....	546,976
Construction in progress.....	13,492,315
Capitalized interest.....	398,160
	-----
Total property and equipment.....	47,844,951
	-----
Other assets:	
Due from Parent (Aladdin Gaming Holdings, LLC).....	32,882,836
Restricted cash.....	275,405,744
Restricted land.....	6,842,500
Other assets.....	1,964,434
Debt issuance costs, net of accumulated amortization of \$167,849 as of March 31, 1998.....	26,004,300
	-----
Total other assets.....	343,099,814
	-----
Total assets.....	\$ 391,350,079
	-----
	-----

<CAPTION>

	MARCH 31, 1998
	-----
<S>	<C>
	(UNAUDITED)
	-----
	LIABILITIES AND MEMBER'S EQUITY
Current liabilities:	
Current maturities of long-term debt.....	\$ 187,324
Payable to related parties.....	359,384
Obligation to transfer land.....	6,842,500
Accrued expenses.....	3,627,849
	-----
Total current liabilities.....	11,017,057
	-----
Long-term debt.....	274,314,429

Members' equity:	
Preferred membership interest.....	115,047,100
Common membership interest.....	3,333,563
Accumulated Deficit.....	(12,362,070)
	-----
Total members' equity.....	106,018,593
	-----
Total liabilities and members' equity.....	\$ 391,350,079
	-----
	-----

</TABLE>

The accompanying notes are an integral part of these financial statements.

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ALADDIN GAMING, LLC  
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 1998 AND FOR THE PERIOD  
FROM INCEPTION (JANUARY 24, 1997) THROUGH MARCH 31, 1998

<TABLE>  
<CAPTION>

	MARCH 31, 1998	FOR THE PERIOD
	-----	JANUARY 24, 1997
	(UNAUDITED)	(INCEPTION)
		THROUGH
		MARCH 31, 1998
		-----
		(UNAUDITED)
<S>	<C>	<C>
Pre-opening costs.....	\$ 11,462,928	\$ 11,462,928
Other (income) expense:		
Interest income.....	(1,584,938)	(1,584,938)
Interest expense.....	2,882,240	2,882,240
Less: Interest capitalized.....	(398,160)	(398,160)
	-----	-----
Total other (income) expense.....	899,142	899,142
	-----	-----
Net loss.....	\$ (12,362,070)	\$ (12,362,070)
	-----	-----
	-----	-----

</TABLE>

The accompanying notes are an integral part of these financial statements.

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ALADDIN GAMING, LLC  
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF MEMBERS' EQUITY

FOR THE PERIOD FROM DECEMBER 31, 1997  
THROUGH MARCH 31, 1998

(UNAUDITED)

	<C>
<S>	
BALANCE, DECEMBER 31, 1997.....	\$ 1,000
Net loss.....	(12,362,070)
Member's contribution -- preferred interest.....	115,047,100
Member's contribution -- common interest.....	3,332,563
	-----
BALANCE, MARCH 31, 1998.....	106,018,593
	-----
	-----

</TABLE>

The accompanying notes are an integral part of these financial statements.

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ALADDIN GAMING, LLC  
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 1998 AND FOR THE PERIOD  
FROM INCEPTION (JANUARY 24, 1997) THROUGH MARCH 31, 1998

<TABLE>  
<CAPTION>

	FOR THE THREE MONTHS ENDED MARCH 31, 1998 (UNAUDITED)	FOR THE PERIOD JANUARY 24, 1997 (INCEPTION) THROUGH MARCH 31, 1998 (UNAUDITED)
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss.....	\$ (12,362,070)	\$ (12,362,070)
Increase in other assets.....	(1,964,434)	(1,964,434)
Amortization of debt costs.....	167,849	167,849
Increase in accrued expenses.....	3,627,849	3,627,849
Increase in accrued fee to related party.....	359,384	359,384
Net cash used in operating activities.....	(10,171,422)	(10,171,422)
Cash flows from investing activities:		
Payments for construction in progress and capitalized interest.....	(6,890,475)	(6,890,475)
Increase in restricted cash.....	(275,405,744)	(275,405,744)
Net cash used in investing activities.....	(282,296,219)	(282,296,219)
Cash flows from financing activities:		
Proceeds from long-term debt.....	274,000,000	274,000,000
Repayment of long-term debt.....	(45,223)	(45,223)
Debt issuance costs.....	(26,172,149)	(26,172,149)
Member's contributions.....	77,972,163	77,973,163
Payable/(Receivable) from/to parent (Aladdin Gaming Holdings, LLC).....	(33,887,486)	(33,882,836)
Net cash provided by financing activities.....	292,867,305	292,872,955
Net increase in cash.....	399,664	405,314
Cash at the beginning of the period.....	5,650	--
Cash at the end of the period.....	\$ 405,314	\$ 405,314
Cash paid for interest, net of amount capitalized.....	\$ 364,756	\$ 364,756
Non-cash investing and financing activities:		
Member's contributions -- book value		
Land.....	33,407,500	33,407,500
Construction in progress.....	7,000,000	7,000,000
Equipment acquired equal to assumption of debt.....	546,976	546,976

</TABLE>

The accompanying notes are an integral part of these financial statements.

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ALADDIN GAMING, LLC  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1998

1. ORGANIZATION AND BUSINESS

Aladdin Gaming, LLC, a Nevada limited company (the "Company"), was established on January 24, 1997. The Company is wholly owned by Aladdin Gaming Holdings, LLC, a Nevada limited-liability company ("Gaming Holdings"). Aladdin Holdings, LLC, a Delaware limited liability company ("Holdings"), indirectly holds a majority interest in Gaming Holdings. The members of Holdings are the Trust under Article Sixth u/w/o Sigmund Sommer (the "Sommer Trust") which holds a 95% interest in Holdings, and GW Vegas, LLC, a Nevada limited-liability company ("GW"), a wholly owned subsidiary of Trust Company of the West ("TCW"), which holds a 5% interest in Holdings.

The Company term is 100 years. Distributions shall be made in accordance with the respective ownership interest subject to the Company's operating agreement.

The Company plans to develop, construct and operate a new hotel and casino, the Aladdin Hotel and Casino (the "Aladdin"), as the centerpiece of an approximately 35 acre world-class resort, casino and entertainment complex in Las Vegas, Nevada. The resort will be located at the center of Las Vegas Boulevard ("the strip").

## 2. PRE-OPENING EXPENSES

The Company expenses pre-opening costs in the period during which they were incurred.

## 3. INCOME TAXES

The Company will file federal information tax returns only. Each member reports taxable income or loss on their respective tax returns.

## 4. COMMITMENTS

The Company has entered into a consulting agreement with GAI, LLC to render consulting services as are reasonably requested by the Board of the Company until June 30, 2002.

The Company has entered into a commitment letter with an equipment finance company for provision of approximately \$80.0 million of financing to obtain gaming and other specified equipment. The financing will be comprised of \$60.0 million of operating leases and \$20.0 million in loans.

## 5. PRIVATE OFFERING

On February 26, 1998, Gaming Holdings, Aladdin Capital Corp. ("Capital" and, together with Gaming Holdings, the "Issuers") and Aladdin Gaming Enterprises, Inc. consummated a private offering (the "Offering") under Rule 144A of the Securities Act of 1933. The private offering consisted of 221,500 units (the "Units"), each unit consisting of (i) \$1,000 principal amount of maturity of 13 1/2% Senior Discount Notes due 2010 (the "Notes") of Gaming Holdings and Capital and (ii) 10 Warrants (the "Warrants") to purchase 10 shares of Class B non-voting Common Stock, no par value, of Aladdin Gaming Enterprises, Inc.

The initial accreted value of the Notes was \$519.40 per \$1,000 principal amount at maturity of the Notes. The Notes will mature on March 1, 2010. The Notes will accrete at 13 1/2% (computed on a semi-annual bond equivalent basis) based on the initial accreted value, calculated from February 26, 1998. Cash

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ALADDIN GAMING, LLC  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1998

## 5. PRIVATE OFFERING (CONTINUED)

interest on the Notes will not accrue prior to March 1, 2003. Thereafter, cash interest on the Notes will accrue at the rate of 13 1/2% per annum based on the accreted value at maturity of the Notes and will be payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2003.

The Notes are secured by a first priority pledge of all amounts held in a segregated construction disbursement account (the "Note Construction Disbursement Account") and by a first priority pledge of all of the issued and outstanding Series A Preferred Interests of Aladdin Gaming, LLC held by Gaming Holdings. As of March 31, 1998, the Note Construction Disbursement Account comprised approximately \$32.9 million remaining proceeds from the Offering, after the application of the net proceeds to repay certain previously existing indebtedness and certain fees and expenses. This amount is reflected on the Company's balance sheet as Due from Parent (Aladdin Gaming Holdings, LLC), as the funds are held by the parent company until disbursed.

The Indenture to the Notes contains certain covenants that (subject to certain exceptions) restrict the ability of the Issuers and certain of their subsidiaries to, among other things: (i) make restricted payments; (ii) incur additional indebtedness and issue preferred stock; (iii) incur liens; (iv) pay dividends or make other distributions; (v) enter into mergers or consolidations; (vi) enter into certain transactions with affiliates or (vii) enter into new lines of business.

## 6. LONG-TERM DEBT

On February 26, 1998, Aladdin Gaming, LLC entered into a \$410.0 million Credit Agreement with various financial institutions and the Bank of Nova Scotia as the administrative agent for the lenders. The Credit Agreement consists of a Term A loan of \$136.0 million, a Term B loan of \$114.0 million and a Term C loan of \$160.0 million. Both the Term B and Term C loans were funded by the lenders on February 26, 1998 and the funds are held by Aladdin Gaming, LLC for the future development of the Aladdin. Under the Credit Agreement, the funds cannot be utilized until the proceeds from the private offering are completely exhausted and certain other conditions to disbursement have been satisfied. As

of March 31, 1998, the Term A Loan has not been funded.

The Term B loan is for a maximum term of 8.5 years from the date of funding and the Term C loan is for a maximum of 10 years. The Term B loan bears interest at rate of 7.883% until the funds are utilized for the project at which time the rate increases to 9.383%. The Term C loan bears interest at a rate of 8.485% until the funds are utilized for the project at which time the rate increases to 10.485%. In addition to quarterly interest payments, each loan has various principal payment requirements once the Aladdin is completed and operating. Except in the case of defaults, no principal repayments are required prior to the opening of the Aladdin.

#### 7. RESTRICTED LAND

Approximately 12.4 acres of land was deeded to the Company on February 26, 1998, with an obligation to transfer such land to Aladdin Bazaar, LLC at a future date. Aladdin Bazaar, LLC intends to construct and operate, a themed entertainment shopping mall and a 4,800-space car parking facility (the "Mall Project"). The Mall Project is expected to be an integral part of the Aladdin entertainment complex.

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ALADDIN GAMING, LLC  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1998

#### 8. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 requires companies to classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity sections of a statement of financial position, and is effective for financial statements issued for fiscal years beginning after December 15, 1997. The Company has adopted SFAS No. 130, during the three-month period ended March 31, 1998 and has determined that such adoption will not result in comprehensive income different from net income as reported in the accompanying financial statements.

In June 1997, the FASB issued SFAS no. 131, "Disclosure About Segments of an Enterprise and Related Information." SFAS No. 131 establishes additional standards for segment reporting in financial statements and is effective for fiscal years beginning after December 15, 1997. The Company currently operates as one segment.

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ALADDIN GAMING ENTERPRISES, INC.  
(A DEVELOPMENT STAGE COMPANY)  
FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 1997

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Board of Directors and Stockholders of  
Aladdin Gaming Enterprises, Inc.:

We have audited the accompanying balance sheet of ALADDIN GAMING ENTERPRISES, INC. (a Nevada Corporation), as of December 31, 1997, and the related statements of stockholders' equity and cash flows for the period from inception (December 3, 1997) through December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aladdin Gaming Enterprises, Inc., as of December 31, 1997, in conformity with generally accepted accounting

principles.

ARTHUR ANDERSEN LLP

Las Vegas, Nevada  
January 15, 1998, except  
for Note 4, as to which  
the date is February 26, 1998.

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ALADDIN GAMING ENTERPRISES, INC.  
(A DEVELOPMENT STAGE COMPANY)  
BALANCE SHEET  
AS OF DECEMBER 31, 1997

ASSETS		<C>
Cash.....	\$	669
Investment in subsidiary.....		331
		-----
Total Assets.....	\$	1,000
		-----
		-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Common Stock, no par value, 2,500 shares authorized, 1 share issued and outstanding.....	\$	1,000
		-----
Total Liabilities and Stockholders' Equity.....	\$	1,000
		-----
		-----

</TABLE>

The accompanying notes are an integral part of this financial statement.

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ALADDIN GAMING ENTERPRISES, INC.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENT OF STOCKHOLDERS' EQUITY  
FOR THE PERIOD FROM INCEPTION (DECEMBER 3, 1997)  
THROUGH DECEMBER 31, 1997

	SHARES ISSUED	AMOUNT	TOTAL
	-----	-----	-----
<S>	<C>	<C>	<C>
BALANCE, December 3, 1997.....	--	\$ --	\$ --
Issuance of common stock.....	1	1,000	1,000
	-----	-----	-----
BALANCE, December 31, 1997.....	1	\$ 1,000	\$ 1,000
	-----	-----	-----
	-----	-----	-----

</TABLE>

The accompanying notes are an integral part of this financial statement.

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ALADDIN GAMING ENTERPRISES, INC.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM INCEPTION (DECEMBER 3, 1997)  
THROUGH DECEMBER 31, 1997

CASH FLOWS USED FOR INVESTING ACTIVITIES:		<C>
Investment in subsidiary.....	\$	(331)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of stock.....		1,000

INCREASE IN CASH AND CASH EQUIVALENTS.....	669
CASH AND CASH EQUIVALENTS, December 3, 1997.....	--
CASH AND CASH EQUIVALENTS, December 31, 1997.....	\$ 669

</TABLE>

The accompanying notes are an integral part of this financial statement.

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ALADDIN GAMING ENTERPRISES, INC.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1997

1. ORGANIZATION AND BUSINESS

Aladdin Gaming Enterprises, Inc., a Nevada corporation ("Enterprises"), was established on December 3, 1997. Enterprises holds a 25% interest in Aladdin Gaming Holdings, LLC, and is wholly owned by Sommer Enterprises, LLC, a Nevada limited-liability company ("Sommer Enterprises"). Aladdin Holdings, LLC, a Delaware limited liability company ("Holdings"), holds a majority interest in Sommer Enterprises. The members of Holdings are the Trust Under Article Sixth u/w/o Sigmund Sommer (the "Sommer Trust") which holds a 95% interest in Holdings, and GW Vegas, LLC, a Nevada limited-liability company ("GW"), a wholly owned subsidiary of Trust Company of the West ("TCW"), which holds a 5% interest in Holdings.

Enterprises' interest in Aladdin Gaming Holdings, LLC has been accounted for under the equity method.

Since the planned principal operations had not commenced as of December 31, 1997, Enterprises has accounted for its operations as a development stage company. There were no operations during the period from inception (December 3, 1997) through December 31, 1997 and hence no statement of income has been prepared.

2. INCOME TAXES

Enterprises accounts for income taxes using the liability method as set forth in Statement of Financial Accounting Standards No. 109, ACCOUNTING FOR INCOME TAXES. Under the liability method, deferred taxes are provided based on the temporary differences between the financial reporting basis and the tax basis of Enterprises' assets and liabilities.

There was no income tax expense or benefit recorded for the period from inception (December 3, 1997) through December 31, 1997 as Enterprises is a development stage company and operations have not yet commenced.

3. AGREEMENTS

Enterprises will enter into a Shareholders' Agreement with the Sommer Trust providing that the Sommer Trust shall have the right to elect the Board of Directors of Enterprises and otherwise manage the day to day affairs of Enterprises unless and until a qualified public offering occurs or the Sommer Trust no longer owns any equity in Enterprises.

4. SUBSEQUENT EVENTS

Private Offerings

On February 26, 1998, Gaming Holdings, Aladdin Capital Corp. ("Capital" and, together with Gaming Holdings, the "Issuers") and Enterprises consummated a private offering (the "Offering") under Rule 144A of the Securities Exchange Act of 1933. The private offering consisted of 221,500 units (the "Units"), each unit consisting of (i) \$1,000 principal amount at maturity of 13 1/2% Senior Discount Notes due 2010 (the "Notes") of Gaming Holdings and Capital and (ii) 10 Warrants (the "Warrants") to purchase 10 shares of Class B non-voting Common Stock, no par value, of Enterprises.

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ALADDIN GAMING ENTERPRISES, INC.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

4. SUBSEQUENT EVENTS (CONTINUED)

The initial accreted value of the Notes is \$519.40 per \$1,000 principal amount at maturity of the Notes. The Notes will mature on March 1, 2010. The Notes will accrete at 13 1/2% (computed on a semi-annual bond equivalent basis) based on the initial accreted value, calculated from February 26, 1998. Cash interest on the Notes will not accrue prior to March 1, 2003. Thereafter, cash interest on the Notes will accrue at the rate of 13 1/2% per annum based on the accreted value at maturity of the Notes and will be payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2003.

The Notes are secured by a first priority pledge of all amounts held in a segregated construction disbursement account (the "Note Construction Disbursement Account") and by a first priority pledge of all of the issued and outstanding Series A Preferred Interests of Gaming Holdings in Aladdin Gaming, LLC. The Note Construction Disbursement Account is comprised of approximately \$35 million remaining proceeds from the Offering, after the application of the net proceeds to repay certain previously existing indebtedness and certain fees and expenses.

The Indenture to the Notes contains certain covenants that (subject to certain exceptions) restrict the ability of the Issuers and certain of their subsidiaries to, among other things: (i) make restricted payments; (ii) incur additional indebtedness and issue preferred stock; (iii) incur liens; (iv) pay dividends or make other distributions; (v) enter into mergers or consolidations; (vi) enter into certain transactions with affiliates or (vii) enter into new lines of business.

Equity Contributions

On February 26, 1998, Sommer Enterprises, LLC contributed a portion of land and \$7.0 million of predevelopment costs in exchange for 100% of the Class A Common Stock in Enterprises. Enterprises contributed the portion of land, the \$7.0 million of predevelopment costs and the net proceeds (approximately \$15 million) allocable from the sale of the Warrants to Gaming Holdings in exchange for 25% of the common membership interests in Gaming Holdings.

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ALADDIN GAMING ENTERPRISES, INC.  
(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS  
AS OF MARCH 31, 1998

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ALADDIN GAMING ENTERPRISES, INC.  
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEET

MARCH 31, 1998

<TABLE>  
<CAPTION>

<S>

ASSETS	MARCH 31, 1998 (UNAUDITED)
	-----
Cash.....	\$ 669
Investment in unconsolidated Affiliate.....	24,235,924
	-----
	\$ 24,236,593
	-----
	-----
LIABILITIES AND STOCKHOLDERS' EQUITY	
Common Stock, Class A, no par value, 2,000,000 shares authorized, 1,107,501 shares issued and outstanding as of March 31, 1998.....	\$ 4,416,734
Common Stock, Class B, no par value and non- voting 8,000,000 shares authorized, 2,215,000 shares issued and outstanding as of March 31, 1998.....	8,831,468
Additional Paid-in Capital.....	15,000,000
Accumulated Deficit.....	(4,011,609)
	-----
	\$ 24,236,593
	-----

</TABLE>

The accompanying notes are an integral part of these financial statements.

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ALADDIN GAMING ENTERPRISES, INC.  
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 1998 AND FOR THE PERIOD  
FROM INCEPTION (DECEMBER 3, 1997) THROUGH MARCH 31, 1998

<TABLE>  
<CAPTION>

	MARCH 31, 1998	FOR THE PERIOD DECEMBER 3, 1997 (INCEPTION) THROUGH MARCH 31, 1998
	(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>
Equity in loss of unconsolidated affiliate.....	\$ (3,430,359)	\$ (3,430,359)
Income tax expense (benefit).....	--	--
Net loss.....	\$ (3,430,359)	\$ (3,430,359)
Basic loss per share.....	\$ (2.27)	\$ (2.27)
Shares used in per share calculation.....	1,513,584	1,513,584
Dilutive loss per share.....	\$ (2.27)	\$ (2.27)
Shares used in per share calculation.....	1,513,584	1,513,584

</TABLE>

The accompanying notes are an integral part of these financial statements.

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ALADDIN GAMING ENTERPRISES, INC.  
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE PERIOD FROM DECEMBER 31, 1997  
THROUGH MARCH 31, 1998

<TABLE>  
<CAPTION>

	COMMON STOCK CLASS A	COMMON STOCK CLASS B	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE, DECEMBER 31, 1997.....	\$ 1,000	\$ --	\$ --	\$ --	\$ 1,000
Net loss.....	--	--	--	(3,430,359)	(3,430,359)
Issuance of Class A common stock, 1,107,500 shares issued.....	4,415,734	--	--	--	4,415,734
Issuance of Class B common stock, 2,215,000 shares issued.....	--	8,831,468	--	--	8,831,468
Issuance of Warrants to purchase Class B common stock, 2,215,000 Warrants issued.....	--	--	15,000,000	--	15,000,000
Equity costs from unconsolidated affiliate.....	--	--	--	(581,250)	(581,250)
BALANCE, MARCH 31, 1998.....	\$ 4,416,734	\$ 8,831,468	\$ 15,000,000	\$ (4,011,609)	\$ 24,236,593

</TABLE>

The accompanying notes are an integral part of these financial statements.

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ALADDIN GAMING ENTERPRISES, INC.  
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 1998 AND FOR THE PERIOD  
FROM INCEPTION (DECEMBER 3, 1997) THROUGH MARCH 31, 1998

<TABLE>  
<CAPTION>

	(UNAUDITED) FOR THE THREE MONTHS ENDED MARCH 31, 1998	(UNAUDITED) FOR THE PERIOD DECEMBER 3, 1997 (INCEPTION) THROUGH MARCH 31, 1998
<S>	<C>	<C>
Cash Flows used for Investing Activities:		
Investment in unconsolidated affiliate.....	\$ (15,000,000)	\$ (331)
Cash Flows From Financing Activities:		
Proceeds from the issuance of stock.....	--	1,000
Proceeds from the Issuance of Warrants.....	15,000,000	--
Increase in Cash and Cash Equivalents.....	--	669
Cash on Cash Equivalents at Beginning of Period.....	669	--
Cash and Cash Equivalents at End of Period.....	\$ 669	\$ 669
Non-cash investing and financing activities:		
Equity Contributions -- Non cash.....	13,247,202	--

</TABLE>

The accompanying notes are an integral part of these financial statements.

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ALADDIN GAMING ENTERPRISES, INC.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1998

## 1. ORGANIZATION AND BUSINESS

Aladdin Gaming Enterprises, Inc., a Nevada corporation ("Enterprises"), was established on December 3, 1997. Enterprises holds a 25% interest in Aladdin Gaming Holdings, LLC ("Gaming Holdings") and is wholly owned by Sommer Enterprises, LLC, a Nevada limited-liability company ("Sommer Enterprises"). Aladdin Holdings, LLC, a Delaware limited liability company ("Holdings"), holds a majority interest in Sommer Enterprises. The members of Holdings are the Trust Under Article Sixth u/w/o Sigmund Sommer (the "Sommer Trust") which holds a 95% interest in Holdings, and GW Vegas, LLC, a Nevada limited-liability company ("GW"), a wholly owned subsidiary of Trust Company of the West ("TCW"), which holds a 5% interest in Holdings.

Enterprises' interest in Aladdin Gaming Holdings, LLC has been accounted for under the equity method.

Enterprises has no other business or activities other than its investment in Aladdin Gaming Holdings, LLC which is a development stage company. Aladdin Gaming Holdings, LLC through its subsidiaries plans to develop, construct and operate a new hotel and casino, the Aladdin Hotel and Casino (the "Aladdin") as the centerpiece of an approximately 35 acre world-class resort, casino and entertainment complex in Las Vegas, Nevada.

## 2. INCOME TAXES

Enterprises accounts for income taxes using the liability method as set forth in the Statement of Financial Accounting Standards No. 109, ACCOUNTING FOR INCOME TAXES. Under the liability method, deferred taxes are provided based on the temporary differences between the financial reporting basis and the tax basis of Enterprises' assets and liabilities.

There was no income tax expense or benefit recorded for the period from inception (December 3, 1997) through March 31, 1998 as Enterprises is a development stage company and the realization of any deferred tax asset is uncertain.

## 3. AGREEMENTS

Enterprises will enter into a Shareholders' Agreement with the Sommer Trust providing that the Sommer Trust shall have the right to elect the Board of Directors of Enterprises and otherwise manage the day to day affairs of Enterprises unless and until a qualified public offering occurs or the Sommer

Trust no longer owns any equity in Enterprises.

#### 4. PRIVATE OFFERINGS

On February 26, 1998, Gaming Holdings, Aladdin Capital Corp. ("Capital" and, together with Gaming Holdings, the "Issuers") and Enterprises consummated a private offering (the "Offering") under Rule 144A of the Securities Act of 1933. The private offering consisted of 221,500 units (the "Units"), each unit consisting of (i) \$1,000 principal amount at maturity of 13 1/2% Senior Discount Notes due 2010 (the "Notes") of Gaming Holdings and Capital and (ii) 10 Warrants (the "Warrants") to purchase 10 shares of Class B non-voting Common Stock, no par value, of Enterprises.

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ALADDIN GAMING ENTERPRISES, INC.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1998

#### 4. PRIVATE OFFERINGS (CONTINUED)

The initial accreted value of the Notes was \$519.40 per \$1,000 principal amount at maturity of the Notes. The Notes will mature on March 1, 2010. The Notes will accrete at 13 1/2% (computed on a semi-annual bond equivalent basis) based on the initial accreted value, calculated from February 26, 1998. Cash interest on the Notes will not accrue prior to March 1, 2003. Thereafter, cash interest on the Notes will accrue at the rate of 13 1/2% per annum based on the accreted value at maturity of the Notes and will be payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2003. \$15.0 million of the offering proceeds were allocated to the Warrants based on the estimated fair market value of the Warrants.

The Notes are secured by a first priority pledge of all amounts held in a segregated construction disbursement account (the "Note Construction Disbursement Account") and by a first priority pledge of all of the issued and outstanding Series A Preferred Interests in Aladdin Gaming, LLC held by Gaming Holdings.

The Indenture to the Notes contains certain covenants that (subject to certain exceptions) restrict the ability of the Issuers and certain of their subsidiaries to, among other things: (i) make restricted payments, (ii) incur additional indebtedness and issue preferred stock; (iii) incur liens; (iv) pay dividends or make other distributions; (v) enter into mergers or consolidations; (vi) enter into certain transactions with affiliates or (vii) enter into new lines of business.

#### 5. EQUITY CONTRIBUTIONS

On February 26, 1998, Sommer Enterprises, LLC contributed a portion of land and \$7.0 million of predevelopment costs in exchange for 100% of the Class A Common Stock in Enterprises. Enterprises contributed the portion of land, the \$7.0 million of predevelopment costs and the net proceeds \$15.0 million allocable from the sale of the Warrants to Gaming Holdings in exchange for 25% of the common membership interests in Gaming Holdings.

#### 6. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 requires companies to classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity sections of a statement of financial position, and is effective for financial statements issued for fiscal years beginning after December 15, 1997. Enterprises has adopted SFAS No. 130, during the three-month period ended March 31, 1998 and has determined that such adoption will not result in comprehensive income different from net income as reported in the accompanying financial statements.

In June 1997, the FASB issued SFAS No. 131, "Disclosure About Segments of an Enterprise and Related Information." SFAS No. 131 establishes additional standards for segment reporting in financial statements and is effective for fiscal years beginning after December 15, 1997. Enterprises currently operates as one segment.

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ANNEX A

CERTAIN HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF LONDON CLUBS

London Clubs owns 25% of Holdings and, as described on pages 27 and 28, has entered into the Bank Completion Guaranty, the Noteholder Completion Guaranty and the Keep-Well Agreement in connection with the construction of the Aladdin. Following is certain historical consolidated financial information of London Clubs. The Registrant does not intend to provide this information in its periodic filings following this registration statement. The 1996, 1997 and 1998 full year financial information for London Clubs set forth herein has been extracted from the 1998 London Clubs' financial statements included on pages A-2 to A-35 and from the 1997 London Clubs' financial statements. Potential investors should note that such information has been calculated and presented in accordance with United Kingdom generally accepted accounting principles, which are not consistent with, and materially differ from, United States generally accepted accounting principles. Such information is expressed in thousands of United Kingdom pounds sterling (L'000).

INDEX TO HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF LONDON CLUBS  
INTERNATIONAL, PLC

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Directors' Report and Accounts for the 52 weeks ended March 29, 1998.....	A-4
</TABLE>	

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LONDON CLUBS INTERNATIONAL, PLC  
CONSOLIDATED PROFIT AND LOSS ACCOUNT  
(IN THOUSANDS OF POUNDS STERLING)

<TABLE>			
<CAPTION>			
	52 WEEKS ENDED MARCH 24, 1996	53 WEEKS ENDED MARCH 30, 1997	52 WEEKS ENDED MARCH 29, 1998
<S>	<C>	<C>	<C>
Turnover.....	L167,357	L179,489	L167,947
Operating Costs.....	(133,078)	(143,092)	(140,314)
Operating profit.....	34,279	36,397	27,633
Net interest payable.....	(1,007)	(1,154)	(513)
Profit on ordinary activities before taxation.....	33,272	35,243	27,120
Tax on ordinary activities.....	(11,985)	(12,588)	(7,251)
Profit on ordinary activities after taxation.....	21,287	22,655	19,869
Dividends paid and proposed.....	(10,970)	(11,679)	(10,173)
Transfer to reserves.....	L10,317	L10,976	L9,696
</TABLE>			

A-2

LONDON CLUBS INTERNATIONAL, PLC  
CONSOLIDATED BALANCE SHEET  
(IN THOUSANDS OF POUNDS STERLING)

<TABLE>			
<CAPTION>			
	AT MARCH 24, 1996	AT MARCH 30, 1997	AT MARCH 29, 1998
<S>	<C>	<C>	<C>
Fixed assets.....	L160,191	L224,312	L248,146
Current assets:			
Stocks.....	1,158	1,353	1,228

Debtors.....	8,523	11,818	15,023
Cash at bank and in hand.....	29,886	34,872	14,413
Total Current Assets.....	39,567	48,043	30,664
Creditors (amounts falling due within one year).....	(51,369)	(62,287)	(41,420)
Net current liabilities.....	(11,802)	(14,244)	(10,756)
Total assets less current liabilities.....	148,389	210,068	237,390
Creditors (amounts falling due after one year).....	(32,722)	(24,816)	(58,881)
Provision for liabilities and charges.....	(517)	(317)	(966)
	L115,150	L184,935	L177,543
Capital and reserves:			
Called up share capital.....	3,539	7,078	7,345
Share premium.....	78,067	74,528	80,103
Other reserves.....	30,337	91,088	75,088
Profit and loss account.....	3,207	12,241	15,007
	L115,150	L184,935	L177,543

</TABLE>

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LONDON CLUBS INTERNATIONAL PLC  
DIRECTORS' REPORT AND ACCOUNTS  
for the  
52 weeks ended 29 March 1998

Registered number: 2862479

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DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of London Clubs International plc and its subsidiary and associated undertakings for the 52 weeks ended 29 March 1998. The financial statements, which were approved by the directors on 19 June 1998, are shown on pages A-14 to A-35.

ACTIVITIES

The Group's principal activity is the operation of casinos.

The Group operates seven casinos in London, one in Beirut, Lebanon and three in Egypt.

On 1 May 1997, the Company completed the purchase of the freehold of 50 St James's Street, London W1, for a total consideration of L13.6 million. The premises, which are currently being refurbished as a casino, will re-open as '50 St James' on 1 July 1998. The casino currently operated by the Group as The Ritz Club will be closed upon the expiry of the Group's lease on 30 June 1998.

The Group's concessions to operate casinos on three cruise liners were discontinued in January 1998.

On 25 February 1998 the Group was awarded a licence to operate a casino in the Gauteng Province of South Africa.

On 26 February 1998 the Company and the Aladdin Gaming Corporation entered into an agreement under which the Company invested US\$50 million for a 25 per cent equity interest in the Aladdin hotel and casino complex in Las Vegas which is currently being redeveloped. The Company has a management contract to operate the premium player facilities within the complex. The redeveloped casino will re-open during the year 2000. The Company has issued a number of guarantees to the providers of loan finance for the project. These include a Completion and Performance Guarantee and a Keep Well Agreement.

On 28 April 1998, the Rendezvous Casino transferred its business to newly refurbished larger premises at 14 Old Park Lane, London W1 upon the expiry of the Group's lease of premises at the Hilton Hotel, London.

On 12 June 1998 the Group sold LCL (France) S.A. et Cie, the company which owns and operates the Carlton Casino in Cannes, France.

A review of the business of the Company and its subsidiary and associated undertakings and an indication of likely future developments are contained in the Chairman's Statement on pages 2 and 3 and the Chief Executive's Review on pages 4 and 5.

#### RESULTS AND DIVIDENDS

The Group's profit on ordinary activities after taxation was L19,869,000 (1997: L22,655,000). The directors propose a final dividend of 4.3 pence (1997: 5.625 pence) net per ordinary share amounting to L6,317,000. This, together with the interim dividend of 2.625 pence (1997: 2.625 pence) net per ordinary share paid on 30 January 1998, makes a total of 6.925 pence (1997: 8.25 pence) net per ordinary share for the year. The final dividend, if approved, will be paid on 31 July 1998 to shareholders on the register at the close of business on 26 June 1998.

The retained profit transferred to reserves amounted to L9,696,000 (1997: L10,976,000).

#### DIRECTORS

The directors who have served since 31 March 1997 are as follows:

Sir Timothy Kitson  
A L Goodenough

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#### DIRECTOR'S REPORT (CONTINUED)

P Byrne  
G B C Hardy  
R R C Hobbs  
T Hodgson (retired 6 June 1997)  
R A Wood  
R A C Ramm (appointed 8 June 1998)

At the forthcoming annual general meeting Mr R R C Hobbs and Sir Timothy Kitson retire by rotation pursuant to the Articles of Association and, being eligible, offer themselves for re-election. Having been appointed since the previous annual general meeting, Mr R A C Ramm will also retire at the annual general meeting and, being eligible, offer himself for election.

The interests of the directors in the share capital of the Company are set out in note 6 to the financial statements.

During their period in office, no director has had a material interest, directly or indirectly, at any time during the year in any contract significant to the business of the Group.

#### SUBSTANTIAL INTERESTS

As at 12 June 1998 the Company had received notification of the following interests exceeding 3 per cent of the Company's share capital:

<TABLE> <S>	<C>
Merrill Lynch & Co., Inc.....	19.62%
Schroder Investment Management Limited.....	18.08%
Jupiter Asset Management.....	7.68%
Lloyds TSB Group plc.....	3.70%

</TABLE>

#### SHARE CAPITAL

Changes to the share capital of the Company are set out in note 17 to the financial statements.

Approval will be sought at the annual general meeting to renew the authority granted to the directors to allot unissued ordinary shares in the capital of the Company and to obtain authority to allot shares for cash otherwise than to existing shareholders pro-rata to their holdings.

Resolution 7 will renew the directors' authority to allot relevant securities up to an aggregate nominal amount of L2,423,927 representing 33 per cent of the current issued share capital (being 48,478,551 ordinary shares).

Resolution 8 is a Special Resolution to renew the directors' authority under Section 95 of the Companies Act 1985 to allot a limited number of shares for

cash up to an aggregate nominal amount of L367,261 representing 5 per cent of the current issued ordinary share capital of the Company (being 7,345,235 ordinary shares).

The proposed authorities conform with the guidelines issued by the institutional investment protection bodies to ensure that existing shareholders' interests are safeguarded and, if granted, will expire at the earlier of the conclusion of the annual general meeting in 1999 and the date 15 months from the date the requisite authorities are granted.

#### LONG TERM PERFORMANCE PLAN

The Board proposes that a resolution be put to the annual general meeting to approve the introduction of a share based long term performance plan for executive directors and senior management of the Group. Full details are set out in a circular to shareholders which accompanies this annual report.

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#### DIRECTOR'S REPORT (CONTINUED)

##### SUPPLIER PAYMENT TERMS

It is the Group's policy and practice to agree appropriate payment terms and conditions individually with its suppliers, having regard to the spirit of the CBI's Prompt Payers Code.

The average number of days outstanding for trade creditors at 29 March 1998 was 34 (1997: 32). This figure takes into account the overseas operations, but excludes the effect of certain demand payments.

##### EMPLOYMENT OF DISABLED PERSONS

The Group recognises its obligations towards disabled persons and endeavours to provide as much employment as the demands of the Group's operations and the abilities of disabled persons allow.

Applications for employment from disabled persons are studied with care and every effort is made to find them, and any existing employees who become disabled, appropriate work and training where it is needed.

##### EMPLOYEE INVOLVEMENT

The Group is committed wherever possible to employee consultation and thereby to their involvement in the development of the Group's operations.

In January 1998 the Company introduced a Savings Related Share Option Scheme. 828 employees participated in the scheme representing approximately 46 per cent of those eligible.

##### YEAR 2000

The Group has conducted an assessment of the principal software in use within the business to identify modifications required to ensure "year 2000" compliance. All business critical systems have been found to be compliant. The modification or replacement of non compliant systems will be continued during 1998/99.

##### CHARITABLE DONATIONS

Charitable donations amounting to L33,000 (1997: L48,000) were paid during the year.

##### TAXATION STATUS

The Company is not a close company for taxation purposes.

##### AUDITORS

Price Waterhouse have expressed their willingness to continue as auditors and a resolution concerning their re-appointment will be proposed at the forthcoming annual general meeting.

It has been announced that Price Waterhouse plans to merge with Coopers & Lybrand on 1 July 1998. Assuming that merger takes place, your directors intend that, should Price Waterhouse be re-appointed at the annual general meeting, the new firm, PricewaterhouseCoopers, will succeed to their appointment.

##### BY ORDER OF THE BOARD

R I Talbot,

SECRETARY

## REPORT OF THE REMUNERATION COMMITTEE

## TERMS OF REFERENCE

The remuneration committee comprises all the non-executive directors of the Company and is chaired by Mr R R C Hobbs. It is responsible for deciding on all elements of the remuneration of the executive directors, including base salaries, performance related bonuses, share based incentive schemes and other benefits.

## COMPENSATION POLICY

The compensation of the executive directors is set by the remuneration committee of the Board. It is the policy of the committee to provide an overall remuneration and benefits package to enable it to attract and retain a high calibre group of senior management who hold the necessary White Certificates' required under the Gaming Act and who are capable of delivering the strategic objectives of the Group on behalf of the shareholders.

The Company has complied throughout the year with Section A of the Best Practice Provisions annexed to the London Stock Exchange Listing Rules. In framing its compensation policy, the committee has given full consideration to Section B of the best practice provisions annexed to the Listing Rules of the London Stock Exchange.

The remuneration of the directors is shown in note 5 to the financial statements.

## SALARIES

These reflect the executives' experience, responsibility and commitment. Basic salary levels are measured against those paid in comparable gaming companies.

The executive directors' current salaries were agreed on 1 October 1994 and are not subject to review until September 1998.

## BONUS AND INCENTIVE SCHEMES

The Group is committed to the principle of relating a substantial proportion of the total remuneration of senior management to the Group's financial performance and has established various annual incentive bonus schemes covering both executive directors and senior management.

As notified in the circular accompanying this annual report, there is submitted for shareholder approval a long term performance plan, which applies from 1998 onwards to all of the executive directors, as well as to certain other senior management. This new plan will replace grants under the Company's executive share option scheme for those participants.

The new plan is designed to align the interests of executive directors and senior management with those of shareholders, to encourage increased shareholding to assist with the attraction and retention of individuals who will be crucial to the Group's success in the coming years and to reward sustained good performance over a period of time.

In January 1998, the Company's savings related share scheme was introduced for all UK employees in which the executive directors also participate.

Details of the options granted to executive directors under the executive share option scheme and savings related option scheme and the options exercised during the year are shown in note 6 to the financial statements.

## REPORT OF THE REMUNERATION COMMITTEE (CONTINUED)

## PENSIONS

Mr A L Goodenough, Mr G B C Hardy and Mr R A C Ramm have personal pension arrangements to which the Group makes an annual contribution.

Mr P Byrne is an executive member of the main London Clubs contributory pension scheme.

None of the non-executive directors participate in the Company pension arrangements nor do they receive any contribution towards pension provision.

## SERVICE CONTRACTS

Mr A L Goodenough, Mr P Byrne and Mr G B C Hardy have service contracts which may be terminated on two years' notice.

Mr R A C Ramm has a service contract for a fixed initial term until 29 December 2000. The contract may be terminated thereafter on one year's notice.

In establishing the notice periods prescribed within the directors' service contracts, the committee were mindful of the need to protect shareholders' interests by ensuring continuity of appropriately experienced and licensed management. In view of the competitive environment and the need to attract and retain executives of the highest calibre, the committee continues to consider the relevant contract periods to be appropriate.

## OTHER BENEFITS

Each executive director is provided with a fully expensed car, permanent health insurance, life assurance and family medical insurance.

R R C Hobbs,  
CHAIRMAN OF THE REMUNERATION COMMITTEE

19 June 1998

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## CORPORATE GOVERNANCE

The Board complies with the recommendations of the Code of Best Practice ("the Code") issued in 1992 by the Committee on the Financial Aspects of Corporate Governance (the Cadbury Committee). The Group complies, and has fully complied throughout the accounting period, with all the current requirements of the Code and the annual report includes all the disclosures currently required by the Code.

## GOING CONCERN

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## INTERNAL FINANCIAL CONTROLS

The directors are required to ensure that the Group's systems of internal control are appropriate given the scale and type of risk being managed, the likelihood of the risk materialising and the cost of implementing the controls necessary to manage the risk. The existence of appropriate internal controls provides reasonable assurance that the Group's operations are efficiently and effectively managed, that internal financial controls are in place and that the Group complies with its legal and regulatory obligations. However, any such system can only provide reasonable, and not absolute, assurance against misstatement or loss.

The Company's internal financial control and monitoring procedures include:

- clear responsibilities on the part of management for the maintenance of appropriate financial controls and the production of accurate and timely financial management information;
- the control of key financial risks through authorisation levels, segregation of duties and written procedures manuals where relevant;
- the preparation of detailed monthly budgets and the comparison by management of trading results and cash flows against budget on a regular basis; and
- the review of internal financial controls by the audit committee in consultation with the external auditors.

The Group operates in a highly regulated environment and an independent compliance function reporting to the compliance committee has been developed to ensure adherence with all local and national requirements and the Group's own gaming procedures. Audits of all gaming operations take place at regular intervals and their recommendations are presented to the compliance committee.

The Board has reviewed the effectiveness of the Group system of internal financial controls for the period covered by the financial statements. In addition, the gaming activities of the Group are also subject to review by the Gaming Board in the UK and by the relevant government authorities for the overseas operations.

The Group has a well defined operational/management hierarchy and organisational structure. Terms of reference exist for all principal committees within the Group and the roles and responsibilities of senior executives and key members of staff are clearly defined.

#### THE BOARD

The Board currently comprises four executive directors and three non-executive directors. The Board meets regularly throughout the year and has a formal schedule of matters reserved for its decision and approval including responsibility for the overall Group strategy, approval of major capital expenditure,

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financing arrangements, the establishing and monitoring of internal controls and compliance with gaming regulations.

The Board has also established separate audit, compliance, remuneration and nominations committees, the membership and main responsibilities of which are set out below:

#### AUDIT COMMITTEE

The members of this committee are Mr R R C Hobbs (Chairman), Sir Timothy Kitson and Mr R A Wood. The audit committee meets as required but not less than twice a year. Its responsibilities include a critical view of the annual and interim financial statements (including the Board's statement on internal control in the Group's Annual Report) prior to their submission to the Board for approval.

#### COMPLIANCE COMMITTEE

The members of this committee are Mr W A Galston OBE (Chairman and non-Board member), Mr R R C Hobbs, Sir Timothy Kitson, Mr R A Wood and Mr R A C Ramm. The compliance committee meets as required but not less than four times per year. The committee's principal responsibility is to satisfy itself, through the Group's compliance function, that appropriate and effective procedures exist within the Group to ensure compliance with all gaming laws, regulations and guidelines.

#### REMUNERATION COMMITTEE

Details of the remuneration committee, including membership are set out in its report on pages 20 and 21.

#### NOMINATIONS COMMITTEE

The members of this committee are Sir Timothy Kitson (Chairman), Mr A L Goodenough, Mr R R C Hobbs and Mr R A Wood. The committee's role is to identify and nominate candidates for future Board appointments for consideration by the whole Board.

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#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year.

The directors have prepared the financial statements on pages A-14 to A-35 on a going concern basis and consider that the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

REPORT BY THE AUDITORS TO THE DIRECTORS OF LONDON CLUBS INTERNATIONAL PLC ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements we have reviewed your statement on pages A-10 and A-11 concerning the Group's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and the adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v), if not otherwise disclosed.

#### BASIS OF OPINION

We carried out our review having regard to guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures nor on the ability of the Group to continue in operational existence.

#### OPINION

In our opinion, your statements on internal financial control and on going concern on page A-10, have provided the disclosures required by the Listing Rules referred to above and are consistent with the information which came to our attention as a result of our audit work on the financial statements.

In our opinion, based on enquiry of certain directors and officers of the Company and examination of relevant documents, your statement on pages A-10 and A-11 appropriately reflects the Group's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Price Waterhouse  
CHARTERED ACCOUNTANTS  
London  
19 June 1998

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The following represents the statutory audit report of Price Waterhouse, London, whose audit was performed in accordance with generally accepted auditing standards in the United Kingdom (UK). The accompanying financial statements have been prepared in accordance with UK generally accepted accounting principles.

#### REPORT OF THE AUDITORS TO THE MEMBERS OF LONDON CLUBS INTERNATIONAL PLC

We have audited the financial statements on pages A-14 to A-35 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages A-19 and A-20.

#### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page A-12, the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 29 March 1998 and of the profit and cash flows of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE  
 CHARTERED ACCOUNTANTS  
 AND REGISTERED AUDITORS  
 London  
 19 June 1998

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE 52 WEEKS ENDED 29 MARCH 1998

<TABLE>  
 <CAPTION>

	NOTES	52 WEEKS ENDED 29 MARCH 1998		53 WEEKS ENDED 30 MARCH 1997	
		L'000	L'000	L'000	L'000
<S>	<C>	<C>	<C>	<C>	<C>
Turnover.....	2		167,947		179,489
Operating costs					
Gaming taxation.....		(47,418)		(51,708)	
Other.....		(75,218)		(74,134)	
			(122,636)		(125,842)
Gross profit.....			45,311		53,647
Administrative expenses					
Exceptional bid costs.....		(202)		(1,080)	
Other.....		(17,476)		(16,170)	
			(17,678)		(17,250)
Operating profit.....	3		27,633		36,397
Net interest payable.....	7		(513)		(1,154)
Profit on ordinary activities before taxation.....	2		27,120		35,243
Tax on ordinary activities.....	8		(7,251)		(12,588)
Profit on ordinary activities after taxation.....			19,869		22,655
Dividends paid and proposed.....	9		(10,173)		(11,679)
Transfer to reserves.....	18		9,696		10,976
Earnings per share.....	10		13.6p		16.0p
Earnings per share before exceptional bid costs.....	10		13.8p		16.8p

</TABLE>

The notes on pages A-19 to A-35 form part of these financial statements.

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CONSOLIDATED BALANCE SHEET

AS AT 29 MARCH 1998

<TABLE>  
 <CAPTION>

	NOTES	29 MARCH 1998		30 MARCH 1997	
		L'000	L'000	L'000	L'000
<S>	<C>	<C>	<C>	<C>	<C>

Fixed assets			
Tangible assets.....	11	217,651	219,646
Investments.....	12	30,495	4,666
		-----	-----
		248,146	224,312
Current assets			
Stocks.....		1,228	1,353
Debtors.....	13	15,023	11,818
Cash at bank and in hand.....		14,413	34,872
		-----	-----
		30,664	48,043
Creditors (amounts falling due within one year).....	14	(41,420)	(62,287)
		-----	-----
Net current liabilities.....		(10,756)	(14,244)
		-----	-----
Total assets less current liabilities.....		237,390	210,068
Creditors (amounts falling due after one year).....	15	(58,881)	(24,816)
Provision for liabilities and charges.....	16	(966)	(317)
		-----	-----
		177,543	184,935
		-----	-----
Capital and reserves			
Called up share capital.....	17	7,345	7,078
Share premium.....	18	80,103	74,528
Merger reserve.....		5,352	5,352
Revaluation reserve.....	18	69,736	85,736
Profit and loss account.....	18	15,007	12,241
		-----	-----
		177,543	184,935
		-----	-----

</TABLE>

Approved on behalf of the Board on 19 June 1998.

Sir Timothy Kitson  
G B C Hardy  
DIRECTORS

The notes on pages A-19 to A-35 form part of these financial statements.

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COMPANY BALANCE SHEET  
AS AT 29 MARCH 1998

<TABLE>  
<CAPTION>

	NOTES	29 MARCH 1998		30 MARCH 1997	
		L000	L000	L000	L000
<S>	<C>	<C>	<C>	<C>	<C>
Fixed assets					
Tangible assets.....	11	22,493		2,807	
Investments.....	12	27,457		27,457	
		-----	-----	-----	-----
			49,950		30,264
Current assets					
Debtors.....	13	123,985		73,069	
Cash at bank and in hand.....		1,266		15,368	
		-----	-----	-----	-----
		125,251		88,437	
Creditors (amounts falling due within one year).....	14	(47,210)		(24,447)	
		-----	-----	-----	-----
Net current assets.....			78,041		63,990
			-----		-----
Total assets less current liabilities.....			127,991		94,254
Provision for liabilities and charges.....	16		(29,648)		--
			-----		-----
			98,343		94,254
			-----		-----
Capital and reserves					

Called up share capital.....	17	7,345	7,078
Share premium.....	18	80,103	74,528
Profit and loss account.....	18	10,895	12,648
		-----	-----
		98,343	94,254
		-----	-----

</TABLE>

Approved on behalf of the Board on 19 June 1998

Sir Timothy Kitson  
G B C Hardy  
DIRECTORS

The notes on pages A-19 to A-35 form part of these financial statements.

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CONSOLIDATED CASH FLOW STATEMENT  
FOR THE 52 WEEKS ENDED 29 MARCH 1998

<TABLE>  
<CAPTION>

	NOTES	52 WEEKS ENDED 29 MARCH 1998		53 WEEKS ENDED 30 MARCH 1997	
		L'000	L'000	L'000	L'000
<S>	<C>	<C>	<C>	<C>	<C>
CASH FLOW FROM OPERATING ACTIVITIES.....	21		23,286		44,806
Return on investments and servicing of finance.....	22		(543)		(1,165)
Taxation.....			(12,979)		(11,791)
Capital expenditure and financial investment.....	22		(22,650)		(8,645)
Acquisitions and disposals.....	22		(32,228)		--
Equity dividends paid.....			(11,820)		(11,148)
			-----		-----
CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING.....			(56,934)		12,057
Management of liquid resources.....	22		1,220		18
Financing--Issue of shares.....		5,842		--	
--Increase/(Decrease) in debt.....		29,747		(6,200)	
			-----		-----
			35,589		(6,200)
			-----		-----
(DECREASE)/INCREASE IN CASH IN THE PERIOD.....			(20,125)		5,875
			-----		-----

</TABLE>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT  
FOR THE 52 WEEKS ENDED 29 MARCH 1998

<TABLE>  
<CAPTION>

	52 WEEKS ENDED 29 MARCH 1998	53 WEEKS ENDED 30 MARCH 1997
	-----	-----
	L'000	L'000
<S>	<C>	<C>
(DECREASE)/INCREASE IN CASH IN THE PERIOD.....	(20,125)	5,875
Cash (inflow)/outflow from movement in debt.....	(29,747)	6,200
Cash inflow from decrease in liquid resources.....	(1,220)	(18)
Other non cash changes.....	3,598	(379)
Translation differences.....	886	(871)
	-----	-----
MOVEMENT IN NET DEBT IN THE PERIOD.....	(46,608)	10,807
NET FUNDS/(DEBT) AT BEGINNING OF PERIOD.....	2,140	(8,667)
	-----	-----
NET (DEBT)/FUNDS AT END OF PERIOD.....	(44,468)	2,140

</TABLE>

The notes on pages A-19 to A-35 form part of these financial statements.

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE 52 WEEKS ENDED 29 MARCH 1998

<TABLE>  
<CAPTION>

	52 WEEKS ENDED 29 MARCH 1998	53 WEEKS ENDED 30 MARCH 1997
<S>	<C>	<C>
	L'000	L'000
Profit on ordinary activities after taxation.....	19,869	22,655
Unrealised (deficit)/surplus on revaluation of properties.....	(16,000)	60,751
Exchange difference on a re-translation of net assets of subsidiary and associated undertakings.....	(1,454)	(1,942)
Exchange gain on foreign currency loans.....	415	--
	-----	-----
Total recognised gains and losses for the period.....	2,830	81,464
	-----	-----

</TABLE>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS  
FOR THE 52 WEEKS ENDED 29 MARCH 1998

<TABLE>  
<CAPTION>

	52 WEEKS ENDED 29 MARCH 1998	53 WEEKS ENDED 30 MARCH 1997
<S>	<C>	<C>
	L'000	L'000
Profit on ordinary activities after taxation.....	19,869	22,655
Dividends.....	(10,173)	(11,679)
	-----	-----
Unrealised (deficit)/surplus on revaluation of properties.....	9,696	10,976
Goodwill arising on acquisition of associated undertaking.....	(16,000)	60,751
Exchange difference on re-translation of net assets of subsidiary and associated undertakings.....	(5,891)	--
Exchange gain on foreign currency loans.....	(1,454)	(1,942)
Issue of share capital.....	415	--
	5,842	--
	-----	-----
Net (decrease)/addition to shareholders' funds.....	(7,392)	69,785
Opening shareholders' funds.....	184,935	115,150
	-----	-----
Closing shareholders' funds.....	177,543	184,935
	-----	-----

</TABLE>

The notes on pages A-19 to A-35 form part of these financial statements.

A-18

Notes to the Financial Statements

1 ACCOUNTING POLICIES

A ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention as modified by the revaluation of short leasehold properties and in accordance with applicable accounting standards.

## B CONSOLIDATION

The consolidated accounts include the results and net assets of the Company and its subsidiary and associated undertakings. Undertakings acquired are consolidated from the effective date of acquisition. Goodwill arising on the acquisition of subsidiary or associated undertakings is set off directly against reserves.

## C TURNOVER

Turnover represents gaming income and also includes management contract income, membership subscriptions and catering revenues.

## D FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost or valuation.

The short leasehold properties from which the Group conducts its casino operations are carried at open market value on an existing use and fully operational basis, including the benefit of casino licences. Formal professional revaluations of the UK casinos are undertaken on at least a triennial basis and the resultant valuation is included in the balance sheet unless the surplus or deficit is immaterial.

The directors review the valuations each year and if, in their opinion, there is any diminution in value, it is charged either to the revaluation reserve or the profit and loss account as appropriate. In the directors' opinion, on the basis of this review, the residual disposal value of the properties and the benefit of casino licences attaching to those properties is at least equal to their book value.

All leases have an unexpired term of less than 20 years and the values of the leaseholds excluding the benefit of the casino licences are depreciated over the remaining term of the lease. Other assets are depreciated over their estimated useful lives on the following bases:

Fixtures and fittings--10 per cent to 20 per cent straight line.

Motor vehicles--25 per cent reducing balance.

## E CAPITALISATION OF INTEREST ON PROPERTY DEVELOPMENT

Interest expenses associated with the construction of a casino over an extended period, prior to the commencement of business, are capitalised within fixed assets. Currently only the interest costs associated with the construction of the Aladdin hotel and casino complex qualify under this policy. No interest is capitalised in respect of either ongoing refurbishment or the transfer of business premises.

## F INVESTMENTS

Investments, including investments in subsidiary and associated undertakings, are valued individually at the lower of cost and directors' valuation.

A-19

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1 ACCOUNTING POLICIES (CONTINUED)

#### G TAXATION

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes, unless there is reasonable probability that the deferred tax will not crystallise in the foreseeable future.

#### H STOCKS

Stocks, which comprise consumables, are valued at the lower of cost and estimated net realisable value.

#### I TRADE DEBTORS

Trade debtors include debtors of the overseas casino operations (where deferred payment is permitted) net of provisions raised for any amounts considered unlikely to be recoverable.

In the UK, full provision is charged to the profit and loss account for all unpaid gaming cheques net of any amounts recovered up to the date of approval of the accounts.

J EXCHANGE RATES

Transactions in foreign currencies are translated into sterling at the rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the year end exchange rate. The results of overseas operations are translated at average exchange rates.

Exchange differences arising from the translation of the opening net assets of overseas subsidiaries and any foreign currency borrowings used to acquire overseas assets are dealt with as a movement in reserves. All other exchange differences are taken to the profit and loss account.

K LEASES

The rental charges in respect of operating leases are taken to the profit and loss account on a straight line basis over the life of the lease.

L PENSION COSTS

The Group operates a pension scheme covering the majority of employees. Pension costs are assessed in accordance with the advice of independent actuaries. Variations from the regular pensions cost are spread on a systematic basis over the estimated average remaining service lives of employees. The scheme is funded by payments to trustee administered funds completely independent of the Group's finances.

A-20

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SEGMENTAL ANALYSIS

Operations by geographical segment:

<TABLE>

<CAPTION>

<S>

	52 WEEKS ENDED 29 MARCH 1998	53 WEEKS ENDED 30 MARCH 1997
	<C>	<C>
	L'000	L'000
TURNOVER		
Europe.....	144,972	157,471
Middle East.....	22,975	22,018
	-----	-----
	167,947	179,489
	-----	-----
	-----	-----

</TABLE>

<TABLE>

<CAPTION>

<S>

	52 WEEKS ENDED 29 MARCH 1998	53 WEEKS ENDED 30 MARCH 1997
	<C>	<C>
	L'000	L'000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Europe.....	25,077	34,712
Middle East.....	2,556	1,685
	-----	-----
Operating profit.....	27,633	36,397
Interest receivable.....	4,181	1,663
Interest payable.....	(4,694)	(2,817)
	-----	-----
Profit on ordinary activities before taxation.....	27,120	35,243
	-----	-----
	-----	-----

</TABLE>

For the purposes of the segmental analysis all head office costs have been allocated to Europe.

With the exception of the investment in the associated undertaking, Aladdin Gaming Holdings LLC (which is based in the United States), substantially all of the net assets of the Group are located in Europe. Substantially all of the Group's turnover, operating profit and net assets relate to the operation of casinos.

A-21

3 OPERATING PROFIT

Operating profit is stated after charging:

<TABLE>  
<CAPTION>

	52 WEEKS ENDED 29 MARCH 1998	53 WEEKS ENDED 30 MARCH 1997
<S>	<C>	<C>
	L'000	L'000
Employee costs (see note 4).....	43,965	44,594
Operating lease rentals on properties.....	8,626	8,395
Operating lease rentals on equipment.....	704	620
Depreciation.....	3,796	3,418
Auditors' remuneration		
-- Audit services.....	197	198
Exceptional bid costs.....	202	1,080
Other.....	35,406	33,079
	92,896	91,384
	-----	-----
Shown as:		
Operating costs.....	75,218	74,134
Administrative expenses.....	17,678	17,250
	92,896	91,384
	-----	-----

</TABLE>

Audit fees for the Company were L15,000 (1997: L15,000). Non-audit fees for the Group and Company were L269,000 (1997: L489,000) and L238,000 (1997: L300,000) respectively. The non-audit fees for the current year primarily relate to tax advice and compliance services and work in respect of review of the interim report. The fees for the prior year additionally include amounts in respect of the bid for Capital Corporation plc.

The exceptional bid costs represent professional and other costs incurred in respect of the bid for Capital Corporation plc which lapsed on 7 April 1997 following referral to the Monopolies and Mergers Commission (MMC) and professional fees and other costs in respect of subsequent submissions presented to the MMC.

Other costs include catering costs, the net movement in provisions for gaming cheques, marketing expenditure, irrecoverable VAT, other establishment costs and professional fees.

4 EMPLOYEE INFORMATION

<TABLE>  
<CAPTION>

	52 WEEKS ENDED 29 MARCH 1998	53 WEEKS ENDED 30 MARCH 1997
<S>	<C>	<C>
	L'000	L'000
Employee costs (including directors):		
Wages and salaries.....	38,336	38,963
Social security costs.....	4,303	4,403
Other pension costs.....	1,326	1,228
	43,965	44,594
	-----	-----
Average number of employees by geographic location:		
Europe.....	1,939	1,865
Middle East.....	370	380
	2,309	2,245
	-----	-----

</TABLE>

5. DIRECTORS' REMUNERATION

<TABLE>

<CAPTION>

	52 WEEKS ENDED 29 MARCH 1998	53 WEEKS ENDED 30 MARCH 1997
<S>	<C>	<C>
	L'000	L'000
Payments to non-executive directors.....	110	128
Salaries, allowances and taxable benefits.....	703	824
Bonuses--payment on account under long term bonus scheme.....	--	405
--payment on discontinuance of long term bonus scheme.....	--	1,076
Pension contributions.....	83	100
	---	---
	896	2,533
	---	---
	---	---

</TABLE>

The remuneration figures for the 53 weeks ended 30 March 1997 include the final payments of accrued bonus entitlement under the executive directors' long term bonus scheme which was discontinued as at 30 March 1997.

The value of all the elements of remuneration received by each director in respect of the 52 weeks to 29 March 1998 was as follows:

<TABLE>

<CAPTION>

	FEEES AND SALARY	BENEFITS IN KIND	PENSION	TOTAL 1998
<S>	<C>	<C>	<C>	<C>
	L'000	L'000	L'000	L'000
EXECUTIVE				
A L Goodenough..... (CHIEF EXECUTIVE)	240	21	43	304
P Byrne..... (GROUP OPERATIONS DIRECTOR)	170	12	8	190
G B C Hardy..... (FINANCE DIRECTOR)	170	15	31	216
T Hodgson..... (COMPLIANCE AND SECURITY DIRECTOR) (I)	43	32	1	76
NON-EXECUTIVE				
Sir Timothy Kitson..... (CHAIRMAN)	60	--	--	60
Sir Gordon Booth (ii).....	--	--	--	--
R R C Hobbs.....	25	--	--	25
R A Wood.....	25	--	--	25

<CAPTION>

	TOTAL 1997
<S>	<C>
	L'000
EXECUTIVE	
A L Goodenough..... (CHIEF EXECUTIVE)	851
P Byrne..... (GROUP OPERATIONS DIRECTOR)	507
G B C Hardy..... (FINANCE DIRECTOR)	536
T Hodgson..... (COMPLIANCE AND SECURITY DIRECTOR) (I)	511
NON-EXECUTIVE	
Sir Timothy Kitson..... (CHAIRMAN)	61
Sir Gordon Booth (ii).....	17
R R C Hobbs.....	25
R A Wood.....	25

</TABLE>

(i) retired 6 June 1997

(ii) retired 5 December 1996

RETIREMENT BENEFITS

Mr A L Goodenough and Mr G B C Hardy have personal pension arrangements to which the Company makes annual contributions.

5. DIRECTORS' REMUNERATION (CONTINUED)

Mr P Byrne is an executive member of the London Clubs contributory pension scheme. The increase in value of Mr Byrne's retirement benefits during the 52 weeks to 29 March 1998 is given below:

	INCREASE IN ACCRUED PENSION DURING 1997/98		ACCRUED PENSION AT 29 MARCH 1998		INCREASE IN TRANSFER VALUE	
	<C>	L'000	<C>	L'000	<C>	L'000
P Byrne.....		2		15		18

The increase in Transfer Value has been provided by an independent actuary appointed by the Trustee of the London Clubs Pension Scheme. The Transfer Value represents a liability to the Company but not a sum paid or due to the individual.

6. DIRECTORS' INTERESTS

The interests of the directors and their immediate families in the share capital of the Company at the end of the year and at the beginning of the year were as follows:

	29 MARCH 1998			30 MARCH 1997	
	ORDINARY SHARES	EXECUTIVE SHARE OPTIONS	SAVINGS RELATED OPTIONS	ORDINARY SHARES	EXECUTIVE SHARE OPTIONS
P Byrne.....	280,000	--	3,995	280,000	512,400
A L Goodenough.....	202,228	--	3,995	202,228	622,400
G B C Hardy.....	901,048	512,400	3,995	901,048	512,400
R R C Hobbs.....	98,800	--	--	98,800	--
Sir Timothy Kitson.....	50,800	--	--	40,800	--
NON-BENEFICIAL.....	2,000	--	--	--	--
R A Wood.....	10,000	--	--	10,000	--

The interests represent ordinary shares of 5 pence each and options over ordinary shares.

There were no savings related options in existence at 30 March 1997.

All the executive options were granted on 6 June 1994, under the London Clubs International plc executive share option scheme, and adjusted for the one for one bonus issue in July 1996. The executive options are exercisable at a price of 109.25 pence between June 1997 and June 2004.

Certain directors exercised executive options during the year at a market price of 385 pence per share. The resulting gains were as follows:

	1998		1997	
	<C>	L'000	<C>	L'000
P Byrne.....		1,413		--
A L Goodenough.....		1,716		--
T Hodgson.....		1,413		--
		4,542		--

The savings related options were granted on 10 February 1998 and are exercisable at a price of 244 pence per share between 1 March 2000 and 31 August 2000.

6. DIRECTORS' INTERESTS (CONTINUED)

The mid market price of the Company's shares as at 29 March 1998 was 205.5 pence. The range of share prices during the 52 weeks to 29 March 1998 was 417 pence to 205 pence per share.

Other than as stated above, none of the directors nor any member of their immediate families at 29 March 1998 had any interest in the share capital of the Company. No changes in details have occurred between 29 March 1998 and 19 June 1998.

The Company's Register of Directors' Interests contains full details of directors' shareholdings and options to subscribe for ordinary shares.

7. NET INTEREST PAYABLE

<TABLE>

<CAPTION>

	52 WEEKS ENDED 29 MARCH 1998	53 WEEKS ENDED 30 MARCH 1997
	-----	-----
<S>	<C>	<C>
	L'000	L'000
Interest payable on bank loans.....	2,999	2,817
Interest payable on Guaranteed Senior Notes.....	1,695	--
Interest receivable and similar income		
--on fixed asset investment.....	(397)	(303)
--other.....	(3,784)	(1,360)
	-----	-----
Net interest payable.....	513	1,154
	-----	-----

</TABLE>

8. TAXATION

<TABLE>

<CAPTION>

	52 WEEKS ENDED 29 MARCH 1998	53 WEEKS ENDED 30 MARCH 1997
	-----	-----
<S>	<C>	<C>
	L'000	L'000
UK corporation tax at 31 per cent (1997: 33 per cent) on the taxable profit for the period.....	9,171	12,341
Deferred taxation.....	649	(200)
Overseas taxation.....	447	618
Prior year adjustments.....	(3,016)	(171)
	-----	-----
	7,251	12,588
	-----	-----

</TABLE>

There is no taxation charge or credit in respect of the associated undertaking.

Movements in deferred taxation are explained in note 16.

9. DIVIDENDS

<TABLE>

<CAPTION>

	52 WEEKS ENDED 29 MARCH 1998	53 WEEKS ENDED 30 MARCH 1997
	-----	-----
<S>	<C>	<C>
	L'000	L'000
Dividends on equity shares		
Interim 2.625 pence per share (1997: 2.625 pence) paid on 30 January 1998.....	3,856	3,716
Final 4.30 pence per share (1997: 5.625 pence) proposed to be paid on 31 July 1998.....	6,317	7,963
	-----	-----
	10,173	11,679
	-----	-----

</TABLE>

10. EARNINGS PER SHARE

Earnings per ordinary share for each year have been calculated on profit on ordinary activities after taxation divided by the weighted average number of ordinary shares in issue during the year.

Fully diluted earnings per share, taking into account all options over the Company's shares, is not materially different to basic earnings per share.

The earnings and weighted average number of shares used in the calculation of earnings per share were as follows:

<TABLE>  
<CAPTION>

	52 WEEKS ENDED 29 MARCH 1998	53 WEEKS ENDED 30 MARCH 1997
	<C>	<C>
	L'000	L'000
Earnings per ordinary share (pence).....	13.6	16.0
Earnings ('000).....	19,869	22,655
Weighted average number of shares ('000).....	145,845	141,557

</TABLE>

Earnings per share before exceptional bid costs have been calculated as 13.8 pence per share (1997: 16.8 pence per share). This figure is based upon the profit after taxation but before exceptional bid costs, of L20,071,000 (1997: L23,735,000) and on 145,845,000 (1997: 141,557,000) ordinary shares. The exceptional bid costs, amounting to L202,000 (1997: L1,080,000), represent fees and other expenses incurred in respect of the bid for Capital Corporation plc. No tax credit is assumed to arise on the bid costs.

11. TANGIBLE FIXED ASSETS

<TABLE>  
<CAPTION>

GROUP	FREEHOLD	SHORT	FIXTURES, FITTINGS AND MOTOR	ASSETS IN	TOTAL
	PROPERTY	LEASEHOLD PROPERTIES	VEHICLES	COURSE OF CONSTRUCTION	
<S>	<C>	<C>	<C>	<C>	<C>
	L'000	L'000	L'000	L'000	L'000
COST OR VALUATION					
At 30 March 1997.....	--	217,649	19,704	2,977	240,330
Revaluation.....	--	(16,000)	--	--	(16,000)
Additions.....	12,150	1,515	2,131	6,972	22,768
Disposals.....	--	(138)	(2,228)	--	(2,366)
Adjustment (see note 15).....	--	(4,000)	--	--	(4,000)
Transfers.....	1,485	--	--	(1,485)	--
Exchange movement.....	--	(701)	(347)	--	(1,048)
At 29 March 1998.....	13,635	198,325	19,260	8,464	239,684
DEPRECIATION					
At 30 March 1997.....	--	10,029	10,655	--	20,684
Charge for year.....	--	1,432	2,364	--	3,796
Disposals.....	--	(138)	(2,159)	--	(2,297)
Exchange movement.....	--	(36)	(114)	--	(150)
At 29 March 1998.....	--	11,287	10,746	--	22,033
NET BOOK VALUE					
At 29 March 1998.....	13,635	187,038	8,514	8,464	217,651
At 30 March 1997.....	--	207,620	9,049	2,977	219,646

</TABLE>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. TANGIBLE FIXED ASSETS (CONTINUED)

The short leasehold properties from which the Group conducts its casino operations are carried at open market value on an existing use and fully operational basis, including the benefit of casino licences.

The directors included the Group's UK short leasehold properties as at 30 March 1997 at the amount determined by G L Hearn (Chartered Surveyors). However,

consequent to the proposed changes in the rates of gaming duty outlined in the Chancellor's Budget Statement, the directors have reassessed the carrying value and reduced the overall valuation as at 29 March 1998 by L20.0 million. This includes an adjustment of L4.0 million to the original cost of the London Park Tower leasehold property due to the fact that the deferred consideration thereon is no longer assumed to be payable. The next independent valuation of the properties will be in March 2000.

The value of short leasehold properties on an historical cost basis comprises assets with a cost of L128.6 million (1997: L131.9 million) and accumulated depreciation of L11.3 million (1997: L10.0 million). The net book value of the short leasehold properties, on an historical cost basis, is L117.3 million (1997: L121.9 million). Assets in the course of construction relate to the cost of the development of 14 Old Park Lane and 50 St James's Street. When construction is complete, these costs will be transferred to the appropriate asset categories. No depreciation is charged during the period of construction.

No provision has been made for the potential liability to taxation on capital gains which could arise if the short leasehold properties held as fixed assets were sold at the amounts at which they have been revalued and included in these accounts as the directors have no current intentions of selling these assets with gaming licences attached.

<TABLE>  
<CAPTION>

COMPANY	FREEHOLD	SHORT	FIXTURES,	ASSETS IN	TOTAL
	PROPERTY	LEASEHOLD	FITTINGS AND	COURSE OF	
<S>	<C>	<C>	MOTOR	CONSTRUCTION	<C>
	L'000	L'000	VEHICLES	L'000	L'000
COST					
At 30 March 1997.....	--	--	31	2,776	2,807
Additions.....	12,150	597	581	6,415	19,743
Transfers.....	1,485	--	--	(1,485)	--
	-----	---	---	-----	-----
At 29 March 1998.....	13,635	597	612	7,706	22,550
	-----	---	---	-----	-----
DEPRECIATION					
At 30 March 1997.....	--	--	--	--	--
Charge for year.....	--	15	42	--	57
	-----	---	---	-----	-----
At 29 March 1998.....	--	15	42	--	57
	-----	---	---	-----	-----
NET BOOK VALUE					
At 29 March 1998.....	13,635	582	570	7,706	22,493
	-----	---	---	-----	-----
At 30 March 1997.....	--	--	31	2,776	2,807
	-----	---	---	-----	-----

</TABLE>

A-27

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. INVESTMENTS

GROUP

<TABLE>  
<CAPTION>

<S>	INTEREST IN	FLOATING RATE	OTHER	TOTAL
	ASSOCIATED	NOTES	INVESTMENT	
	UNDERTAKING			
<C>	<C>	<C>	<C>	<C>
	L'000	L'000	L'000	L'000
At 30 March 1997.....	--	3,676	990	4,666
Additions.....	31,065	--	1,163	32,228
Goodwill written off.....	(5,891)	--	--	(5,891)
Exchange movement.....	(415)	(93)	--	(508)
	-----	-----	-----	-----
At 29 March 1998.....	24,759	3,583	2,153	30,495
	-----	-----	-----	-----

</TABLE>

(a) On 26 February 1998, London Clubs Nevada Inc (a 100 per cent subsidiary undertaking of the Group) acquired 25 per cent of the issued share capital of Aladdin Gaming Holdings LLC ("Aladdin"). Aladdin is incorporated in the United States and owns a site for a hotel and casino complex in Las Vegas. The complex is presently being redeveloped and is scheduled to open in 2000. Aladdin has been classified as an associated undertaking in the financial statements in view

of the proportion of shares held by the Group and its representation on the Board of that company.

The Group's investment in the share capital of Aladdin represents L31.1 million in respect of the cost of the shares less goodwill of L5.9 million which has been set against reserves and foreign exchange adjustments of L0.4 million. The Group's share of the net assets of Aladdin at 26 February 1998 comprised fixed assets (comprising land and construction in progress) with a fair value of L29.2 million, cash of L46.9 million, sundry debtors of L0.3 million and long term debt with a value of L51.2 million.

The Company received a commitment fee amounting to L1.8 million from Aladdin in relation to assistance with the loan finance and recharged a further L1.8 million of legal and professional fees incurred by the Company on behalf of Aladdin.

During the period from 26 February 1998 to 30 March 1998, the Group's share of interest capitalised in respect of borrowings to finance the construction of the Aladdin hotel and casino complex amounted to L0.3 million.

There was no profit or loss in the period in relation to the operating results of Aladdin. The last audited accounts were as at 31 December 1997 which indicated that the business had no distributable reserves.

(b) The Group has an investment in Abela Tourism and Development Company SAL ("ATDC"). ATDC is incorporated in Lebanon and has a management concession for the Casino du Liban complex in Beirut. The Group also holds floating rate notes issued by Casino du Liban which have a nominal value of US\$6.0 million.

(c) The Group has an investment in Tortello Investments (No. 15) Pty Limited ("Tortello"). Tortello is incorporated in South Africa and holds the gaming licence for the Emerald Safari Resort in Gauteng Province. The Group has a management contract for the operation of the casino which is currently under development.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. INVESTMENTS (CONTINUED)  
COMPANY

<TABLE>  
<CAPTION>

	29 MARCH 1998	30 MARCH 1997
	-----	-----
<S>	<C>	<C>
	L'000	L'000
Shares in Group undertakings.....	27,457	27,457
	-----	-----

</TABLE>

Principal subsidiary undertakings of the Company are noted below:

<TABLE>  
<CAPTION>

	COUNTRY OF INCORPORATION OR REGISTRATION	COUNTRY OF OPERATION	PRINCIPAL ACTIVITY	PERCENTAGE OF VOTING SHARES HELD
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
London Club Holdings Limited*.....	England	England	Holding company	100%
London Clubs Management Limited.....	England	England	Management company	100%
Ritz Club (London) Limited.....	England	England	Gaming casino	100%
Les Ambassadeurs Club Limited.....	England	England	Gaming casino	100%
Rendezvous Club (London) Limited.....	England	England	Gaming casino	100%
Zealcastle Limited.....	England	England	Gaming casino	100%
Palm Beach Club Limited.....	England	England	Gaming casino	100%
The Sportsman Club Limited.....	England	England	Gaming casino	100%
Golden Nugget Club Limited.....	England	England	Gaming casino	100%
London Clubs (Overseas) Limited.....	England	England	Holding company	100%
Inter Casino Management (Egypt) Limited....	Isle of Man	Egypt	Gaming casino	100%
Six Hamilton Place Limited.....	England	England	Banqueting operation	100%
London Clubs Nevada Inc.....	USA	USA	Holding company	100%

</TABLE>

-----  
(All companies owned indirectly except \*)

13. DEBTORS

<TABLE>  
<CAPTION>

<S>

	GROUP		COMPANY	
	<C>	<C>	<C>	<C>
	29 MARCH 1998		30 MARCH 1997	
	L'000	L'000	L'000	L'000
Trade debtors.....	3,216	239	2,137	3
Amounts due from group companies.....	--	117,471	--	68,663
Amounts due from associated company.....	1,856	1,856	--	--
Other debtors.....	5,189	1,483	5,211	2,333
Prepayments and accrued income.....	3,183	1,357	2,479	79
ACT recoverable.....	1,579	1,579	1,991	1,991
	15,023	123,985	11,818	73,069

</TABLE>

The ACT recoverable is receivable after more than one year.

A-29

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

<TABLE>  
<CAPTION>

<S>

	29 MARCH 1998		30 MARCH 1997	
	<C>	<C>	<C>	<C>
	GROUP	COMPANY	GROUP	COMPANY
	L'000	L'000	L'000	L'000
	<C>	<C>	<C>	<C>
Short term element of bank loan.....	--	--	5,916	--
Loan notes.....	--	--	2,000	--
Trade creditors.....	3,537	767	1,715	255
Amounts due to group companies.....	--	36,484	--	12,320
Corporation tax.....	7,152	--	15,622	--
ACT payable.....	2,543	2,543	2,920	2,920
Gaming taxation payable.....	7,396	--	10,528	--
Other tax including social security.....	1,131	--	194	--
Interest payable.....	804	600	16	--
Other creditors and accruals.....	12,540	499	15,413	989
Proposed dividend.....	6,317	6,317	7,963	7,963
	41,420	47,210	62,287	24,447

</TABLE>

15 CREDITORS (AMOUNTS FALLING DUE AFTER ONE YEAR)

<TABLE>  
<CAPTION>

<S>

	29 MARCH 1998		30 MARCH 1997	
	<C>	<C>	<C>	<C>
	GROUP	COMPANY	GROUP	COMPANY
	L'000	L'000	L'000	L'000
	<C>	<C>	<C>	<C>
Bank loan				
--Repayable between one and two years.....	--	--	6,031	--
--Repayable between two and five years.....	29,233	--	14,785	--
Guaranteed Senior Notes				
--Repayable after five years.....	29,648	29,648	--	--
Deferred consideration.....	--	--	4,000	--
	58,881	29,648	24,816	--

</TABLE>

The bank loan is secured by a fixed charge over the freehold at 50 St

James's Street together with a floating charge over all assets of the Company and all its present and future UK subsidiaries.

On 11 April 1997, the Company completed a supplemental agreement, whereby all outstanding facilities were replaced by a Revolving Credit Facility. This facility is available until 11 April 2002. Interest is payable at LIBOR plus 0.65 per cent with a small variable adjustment. Advances are available in foreign currencies which may be used to finance overseas investments. Until 29 September 1998, a certain proportion of the loan is subject to an interest rate cap based on a LIBOR rate of 9 per cent.

Under an agreement dated 30 June 1997 the Guaranteed Senior Notes were issued to fund the Group's investment in Aladdin Gaming Holdings LLC. The nominal value of the notes is US\$50 million on which interest is payable at 7.74 per cent.

Deferred consideration is payable based upon the cumulative results of Zealcastle Limited for the three years ending 1 October 1998 consequent to the purchase agreement for that company dated

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 CREDITORS (AMOUNTS FALLING DUE AFTER ONE YEAR) (CONTINUED)

2 October 1995. Full provision was made as at 30 March 1997 for the maximum amount payable. However, based upon the results of the London Park Tower casino and taking into account the likely impact of the proposed change in the rates and bandings for gaming duty (as outlined in the Chancellor's Budget Statement), the targets are unlikely to be met. The provision has been written back and offset against the cost of the London Park Tower leasehold property (which was the main asset acquired as part of the Zealcastle acquisition).

16 PROVISIONS FOR LIABILITIES AND CHARGES

The amount of deferred taxation which has been provided in the financial statements is as follows:

	GROUP	COMPANY
	-----	-----
<S>	<C>	<C>
	L'000	L'000
Deferred tax liability at 30 March 1997.....	317	--
Charge for the period.....	649	--
	---	--
Deferred tax liability at 29 March 1998.....	966	--
	---	--
	---	---

</TABLE>

Comprising:

	29 MARCH 1998		30 MARCH 1997	
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
	PROVIDED	UNPROVIDED	PROVIDED	UNPROVIDED
	-----	-----	-----	-----
<CAPTION>	L'000	L'000	L'000	L'000
<S>	<C>	<C>	<C>	<C>
Accelerated capital allowances.....	966	(120)	607	(23)
Short term timing differences.....	--	--	(290)	--
	---	---	---	---
	966	(120)	317	(23)
	---	---	---	---

</TABLE>

COMPANY

There are no unprovided deferred tax liabilities.

17 SHARE CAPITAL

The following information relates to the share capital of the Company during the period.

<S>	29 MARCH 1998		30 MARCH 1997	
	<C> NUMBER	<C> L'000	<C> NUMBER	<C> L'000
Authorised				
Ordinary shares of 5 pence each.....	233,565,100	11,678	233,565,100	11,678
Issued, allotted and fully paid				
Ordinary shares of 5 pence each.....	146,904,702	7,345	141,557,502	7,078

At 29 March 1998 there were outstanding options to subscribe for 1,622,400 ordinary shares (1997: 6,989,600 ordinary shares) under the London Clubs International plc executive share option scheme, which are exercisable between June 1997 and March 2006. In addition, there were outstanding options to

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 SHARE CAPITAL (CONTINUED)

subscribe for 2,484,699 ordinary shares (1997: Nil) under the savings related option scheme, which are exercisable between 1 March 2000 and 31 August 2000.

During the year 5,347,200 ordinary shares were allotted at L1.0925 each upon the exercise of options under the executive share option scheme.

18 RESERVES

<S>	GROUP AND COMPANY
	<C> L'000
SHARE PREMIUM ACCOUNT	
At 30 March 1997.....	74,528
Exercise of share options.....	5,575
Balance at 29 March 1998.....	80,103

<S>	GROUP
	<C> L'000
REVALUATION RESERVE	
At 30 March 1997.....	85,736
Revaluation during the period.....	(16,000)
Balance at 29 March 1998.....	69,736

<S>	GROUP	COMPANY
	<C> L'000	<C> L'000
PROFIT AND LOSS ACCOUNT		
At 30 March 1997.....	12,241	12,648
Retained profit/(loss) for the period.....	9,696	(1,753)
Goodwill arising on acquisition of associated undertaking.....	(5,891)	--
Exchange difference on re-translation of net assets of subsidiary and associated undertakings.....	(1,454)	--
Exchange gain on foreign currency loans.....	415	--
Balance at 29 March 1998.....	15,007	10,895

</TABLE>

As permitted by Section 230 of the Companies Act 1985, the Company's profit and loss account is not separately presented. The amount of the Company's retained loss for the period is L1,753,000 (1997: L6,995,000 profit).

19 CAPITAL COMMITMENTS

At 29 March 1998 the Group had capital commitments contracted for but not provided of L4,468,610 (1997: L396,260).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 OPERATING LEASE COMMITMENTS

<TABLE>

<CAPTION>

<S>	29 MARCH 1998		30 MARCH 1997	
	<C> GROUP	<C> COMPANY	<C> GROUP	<C> COMPANY
<CAPTION>				
<S>	L'000 <C>	L'000 <C>	L'000 <C>	L'000 <C>
Operating lease commitments on land and buildings payable within one year for leases expiring:				
--within one year.....	344	--	1,381	--
--between one and five years.....	3,093	--	4,337	--
--after five years.....	3,906	723	3,453	723
	-----	-----	-----	-----
	7,343	723	9,171	723
	-----	-----	-----	-----
Operating lease commitments on plant and equipment payable within one year for leases expiring:				
--within one year.....	181	--	131	--
--between one and five years.....	369	--	302	--
	-----	-----	-----	-----
	550	--	433	--
	-----	-----	-----	-----

</TABLE>

21 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

<TABLE>

<CAPTION>

<S>	52 WEEKS ENDED 29 MARCH 1998		53 WEEKS ENDED 30 MARCH 1997	
	<C> L'000	<C> L'000	<C> L'000	<C> L'000
Operating profit.....	27,633		36,397	
Depreciation charges.....	3,796		3,418	
(Profit)/loss on sale of fixed assets.....	(49)		75	
Exchange movement.....	94		305	
Decrease/(increase) in stock.....	125		(195)	
Increase in debtors.....	(5,067)		(784)	
(Decrease)/increase in creditors.....	(3,246)		5,590	
	-----		-----	
Net cash inflow from operating activities.....	23,286		44,806	
	-----		-----	

</TABLE>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 ANALYSIS OF CASH FLOWS FOR HEADINGS SUMMARISED IN THE CASH FLOW STATEMENT

<TABLE>

<CAPTION>

<S>	29 MARCH 1998		30 MARCH 1997	
	<C> L'000	<C> L'000	<C> L'000	<C> L'000
Returns on investments and servicing of finance				
Interest received.....	2,961		1,360	
Interest paid.....	(3,504)		(2,525)	
	-----	-----	-----	-----
Net cash outflow for returns on investments and servicing of finance.....		(543)		(1,165)

Capital expenditure and financial investments			
Purchase of tangible fixed assets.....	(22,768)		(4,379)
Purchase of loan notes.....	--		(4,276)
Proceeds of tangible fixed asset sales.....	118		10
Net cash outflow for capital expenditure and financial investment.....		(22,650)	(8,645)
Acquisitions and disposals			
Investment in associated undertaking.....	(31,065)		--
Purchase of fixed asset investment.....	(1,163)		--
Net cash outflow for acquisitions and disposals.....		(32,228)	--
Net cash management of liquid resources Inflow from purchase and sale of securities.....	1,220		18
Net cash inflow from management of liquid resources.....		1,220	18
Financing			
Issue of ordinary share capital.....	5,842		--
Debt due within a year			
--repayment of loan notes.....	(2,000)		(6,200)
--loan finance raised.....	31,747		--
Net cash inflow/(outflow) from financing.....		35,589	(6,200)

</TABLE>

### 23 ANALYSIS OF NET FUNDS

<TABLE>  
<CAPTION>

	AT 30 MARCH 1997	CASH FLOW	OTHER NON CASH CHANGES	EXCHANGE MOVEMENT AND CHANGES IN MARKET VALUE	AT 29 MARCH 1998
<S>	<C>	<C>	<C>	<C>	<C>
	L'000	L'000	L'000	L'000	L'000
Cash in hand and at bank.....	34,872	(20,125)	--	(334)	14,413
Debt due after one year.....	(24,816)	(31,747)	(2,318)	--	(58,881)
Debt due within one year.....	(7,916)	2,000	5,916	--	--
		(29,747)			
Current asset investment.....	--	(1,220)	--	1,220	--
Total.....	2,140	(51,092)	3,598	886	(44,468)

</TABLE>

The cash flows in respect of the management of liquid resources represent gains arising on the purchase and sale of units in an institutional cash fund.

Cash in hand and at bank includes L901,000 (1997: L999,000) held on deposit pursuant to overseas gaming reserve requirements.

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 24 PENSIONS

The principal pension scheme operated by the Group is a defined benefits scheme, providing benefits based on final pensionable salary. The assets of this scheme are held in a separate trustee administered fund.

The latest formal actuarial valuation of the fund was at 31 March 1996 using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are the relative rates of return on the investments of the fund compared with increases in pay and pensions. It was assumed for this purpose that, on average, the annual return on investments would exceed increases in pay by 4 per cent until 31 March 1997 and by 2 per cent thereafter and would exceed increases in pensions by 4 per cent.

At the date of the latest formal actuarial valuation, the market value of the assets of the fund was L31.3 million. The valuation showed that the assets represented 111 per cent of the benefits that have accrued to members. Taking this surplus into account, the actuary has recommended a future contribution rate for the Group as follows: from 1 April 1996 to 31 March 1999 10.0 per cent of pensionable pay; from 1 April 1999 to 31 March 2005 11.9 per cent of pensionable pay and from 1 April 2005 15.0 per cent of pensionable pay. Death in

service benefits, professional fees and other expenses are paid by the pension scheme.

The pension charge for the year was L1,199,000 (1997: L1,122,000) which was paid to the fund.

In addition the Company makes contributions in respect of individual personal pension schemes. The annual contribution for the year was L126,000 (1997: L106,000).

## 25 GUARANTEES AND FINANCIAL COMMITMENTS

As part of the financing arrangements in connection with the development of the Aladdin Hotel and Casino, the Company and the Sommer Family Trust have jointly and severally given a Completion and Performance Guarantee which applies during the construction period. In addition, through a Keep Well Agreement, the Company and Aladdin Holdings LLC will have a joint and several contingent obligation to provide further equity and/or to make accelerated payments of up to US\$150.0 million should certain financial covenants be breached.

Although the obligations under the Completion and Performance Guarantee and Keep Well Agreement are joint and several, it is agreed under the terms of a Contribution Agreement that each party's liability will be pro-rata to its initial shareholding in Aladdin Gaming Holdings LLC which is 75 per cent for the Sommer Family Trust (through Aladdin Holdings LLC and other entities controlled by the Trust) and 25 per cent for the Company. The Company has certain remedies should the Sommer Family Trust or Aladdin Holdings LLC default in its obligations, including rights over the Sommer Family Trust's equity interest in Aladdin Gaming Holdings LLC.

The construction risk has been mitigated through a fixed price construction contract guaranteed as to timing and price by the architect and general contractor. Aladdin Gaming LLC, a wholly owned subsidiary of Aladdin Gaming Holdings LLC, has access to secured senior credit facilities of up to US\$410.0 million.

## 26 SUBSEQUENT EVENT

On 12 June 1998 the Group announced the sale of LCL (France) S.A. et Cie, which owns and operates the Carlton Casino in Cannes, to Groupe Partouche.

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NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION AND REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE ISSUERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY THE WARRANTS OR THE WARRANT SHARES IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN AFFAIRS OF THE ALADDIN PARTIES SINCE THE DATE HEREOF.

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[LOGO]

2,215,000 WARRANTS TO  
PURCHASE SHARES OF COMMON STOCK OF  
ALADDIN GAMING ENTERPRISES, INC.

-----  
PROSPECTUS  
-----

July , 1998

-----  
-----  
PART II  
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCES AND DISTRIBUTION.

The following expenses (other than the SEC filing fee) are estimated.

<TABLE>	
<S>	<C>
SEC Registration Fee.....	\$ 4,425
Accounting Fees and Expenses.....	\$ 12,000
Printing and Engraving Expenses.....	\$ 48,000
Legal Fees and Expenses (other than blue sky).....	\$ 175,000
Blue Sky Fees and Expenses.....	\$ 10,000
Transfer Agent and Registrar Fees.....	\$ 1,500
Miscellaneous Expenses.....	\$ 5,000
	-----
Total.....	\$ 255,925
	-----
	-----

</TABLE>

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The following summary of material provisions of the Articles of Incorporation and Bylaws of Aladdin Gaming Enterprises, Inc. (the "Issuer") and Nevada law does not purport to be complete and is subject to and qualified in its entirety by reference to Nevada law and the text of the Issuer's Articles of Incorporation and Bylaws, which have been filed as exhibits to this Registration Statement.

The Issuer's Articles of Incorporation provide that no officer or director will be personally liable to the Issuer or any stockholder for damages for breach of fiduciary duty as a director or officer, except for (i) acts or omissions which involve intentional misconduct, fraud or knowing violation of the law, or (ii) the payment of distributions in violation of Nevada Revised Statutes ("NRS") Section 78.300.

Additionally, the Issuer's Bylaws limit the liability of its directors and officers (and, by action of the board of directors, its employees, and other persons) to the fullest extent permitted by Nevada law. If the Nevada law is subsequently amended to permit further limitation of personal liability of directors and officers, the liability of the Issuer's directors and officers will be eliminated or limited to the fullest extent permitted by Nevada law, as

amended. Nevada law permits corporations to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (except in an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. This same permissible indemnification is not allowed as to any action or suit by or in the right of the corporation if the person has been adjudged by a court (after exhaustion of all appeals) to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that a court determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses, as the court deems proper. To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in the defense of any claim, issue or matter therein, Nevada law requires that he must be indemnified by the corporation against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with that defense.

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The Issuer's Bylaws further provide that the Issuer may purchase and maintain insurance or make other financial arrangements for such indemnification and that such indemnification shall continue as to any indemnitee who has ceased to be a director or officer and shall inure to the benefit of his heirs, executors and administrators.

The inclusion of the permissive indemnification provision in the Issuer's Bylaws may have the effect of reducing the likelihood of derivative litigation against directors and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefitted the Issuer and its stockholders.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers or persons controlling the registrants pursuant to the foregoing provisions, the Issuer has been informed that in the opinion of the Securities and Exchange Commission (the "Commission") such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Pursuant to the registration rights agreement (the "Registration Rights Agreement") relating to the Warrants (the "Warrants") to acquire Class B Common Stock of the Issuer and the Class B Common Stock of the Issuer into which the Warrants are exercisable, the holders of such securities and certain underwriters, broker dealers and the Initial Purchasers (as defined herein) have agreed to indemnify the directors, officers and controlling persons of the registrant against certain liabilities, costs and expenses that may be incurred in connection with the registration of such securities, to the extent that such liabilities, costs and expenses that may be incurred in connection with the registration of such securities arise from an omission or untrue statement contained in information provided to the registrant by a holder of such securities, underwriter, broker dealer or Initial Purchaser.

The Purchase Agreement, dated as of February 18, 1998 among Aladdin Gaming Holdings LLC, Aladdin Capital Corp. and the Issuer (collectively, the "Unit Issuers") and Merrill Lynch, Pierce, Fenner and Smith Incorporated, Credit Suisse First Boston Corporation, CIBC Oppenheimer Corp. and Scotia Capital Markets (USA) Inc. (the "Initial Purchasers"), contains provisions by which the Initial Purchasers agree to indemnify the Unit Issuers (including their respective officers, directors, employees, agents and controlling persons) against certain liabilities.

ITEM 16. EXHIBITS.

<TABLE>

<CAPTION>

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
----------------	-------------------------

<C> <S>

\*3.1 Articles of Incorporation of Aladdin Gaming Enterprises, Inc. ("Enterprises").

\*3.2 Amendment No. 1 to Articles of Incorporation of Enterprises.

- \*3.3 Articles of Organization of Aladdin Gaming Holdings, LLC ("Holdings").
  - \*3.4 Articles of Incorporation of Aladdin Capital Corp. ("Capital").
  - \*3.5 Articles of Organization of Aladdin Gaming, LLC (the "Company").
  - \*3.6 Bylaws of Enterprises.
  - \*3.7 Operating Agreement of Holdings.
  - \*3.8 Bylaws of Capital.
  - \*3.9 Operating Agreement of the Company.
  - \*4.1 Warrant Agreement, dated February 26, 1998, among Enterprises and State Street Bank and Trust Company, as Warrant Agent (the "Warrant Agent").
- </TABLE>

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<TABLE> <CAPTION> EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
<C>	<S>
*4.2	Warrant Registration Rights Agreement dated February 26, 1998, among Enterprises and the Initial Purchasers (as defined).
*4.3	Equity Participation Agreement, dated February 26, 1998, among Sommer Enterprises, LLC, Enterprises, London Clubs Nevada, Inc. ("LCNI") and the Trustee (as defined).
+5.1	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP regarding legality of securities being registered.
*5.2	Opinion of Schreck Morris regarding legality of the securities being registered.
+8.1	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP regarding certain tax matters.
*10.1	Indenture, dated February 26, 1998, among Holdings, Capital and State Street Bank and Trust Company, as trustee (the "Trustee").
+10.2	Note Registration Rights Agreement, dated February 26, 1998, among Holdings, Capital and the Initial Purchasers.
*10.3	Noteholder Completion Guaranty, dated February 26, 1998, among the Trust Under Article Sixth u/w/o Sigmund Sommer, London Clubs International plc ("London Clubs"), Aladdin Bazaar Holdings, LLC and the Trustee.
*10.4	Disbursement Agreement, dated February 26, 1998, among Holdings, the Company, the Bank of Nova Scotia, as Administrative Agent under the Bank Credit Facility, Disbursement Agent, and Securities Intermediary, U.S. Bank National Association as Servicing Agent and the Trustee.
*10.5	The LLC Interest Pledge and Security Agreement, dated February 26, 1998, between Holdings and the Trustee.
*10.6	The Holdings Collateral Account Agreement, dated February 26, 1998, between Holdings and the Trustee.
*10.7	Subsidiary Guaranty, dated February 26, 1998, among subsidiaries of London Clubs and the Trustee.
*10.8	Amended and Restated London Clubs Purchase Agreement, dated February 26, 1998, among LCNI, London Clubs, Holdings, Aladdin Holdings, LLC, the Company, Sommer Enterprises, LLC and the Trust Under Article Sixth u/w/o Sigmund Sommer.
*10.9	Closing Schedules to Amended and Restated London Clubs Purchase Agreement.
*10.10	Contribution Agreement, dated February 26, 1998, among the Trust Under Article Sixth u/w/o Sigmund Sommer, Aladdin Holdings, LLC, Sommer Enterprises, LLC, London Clubs and LCNI.
*10.11	Salle Privee Agreement, dated February 26, 1998, among the Company, LCNI and London Clubs.
10.12	[RESERVED]
*10.13	Credit Agreement, dated February 26, 1998, among the Company, a syndicate of lenders (the "Bank Lenders"), The Bank of Nova Scotia as Administrative Agent, Merrill Lynch Capital Corporation as Syndication Agent and CIBC Oppenheimer Corp. as Documentation Agent.
*10.14	Bank Completion Guaranty, dated February 26, 1998, among the Trust Under Article Sixth u/ w/o Sigmund Sommer, London Clubs, Aladdin Bazaar Holdings, LLC and the Bank Lenders.
*10.15	Keep-Well Agreement, dated February 26, 1998, among Aladdin Holdings, LLC, London Clubs and Aladdin

&lt;/TABLE&gt;

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<TABLE> <CAPTION> EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
<C>	<S>
*10.16	Design/Build Contract, dated December 4, 1997, between the Company and Fluor Daniel, Inc.
*10.17	Amendment No. 1 to Design/Build Contract, dated January 21, 1998, between the Company and Fluor Daniel, Inc.
*10.18	Amendment No. 2 to Design/Build Contract, dated January 28, 1998, between the Company and Fluor Daniel, Inc.
*10.19	Fluor Guaranty, dated December 4, 1997, between the Company and Fluor Corporation.
+10.20	Site Work, Development and Construction Agreement, dated February 26, 1998, among the Company, Aladdin Bazaar, LLC and Aladdin Holdings, LLC.
*10.21	Construction, Operation and Reciprocal Easement Agreement, dated February 26, 1998, among the Company, Aladdin Bazaar, LLC and Aladdin Music Holdings, LLC.
*10.22	Common Parking Area Use Agreement, dated February 26, 1998 between the Company and Aladdin Bazaar, LLC.
+10.23	Music Project Lease, dated February 26, 1998 between the Company and Aladdin Music Holdings, LLC.
*10.24	Mall Project Lease, dated February 26, 1998, between the Company and Aladdin Bazaar, LLC.
*10.25	Deed of Trust, Assignment of Rents and Leases, Fixture Filing and Security Agreement, dated February 26, 1998, made by the Company to Stewart Title of Nevada, as trustee for the benefit of the Bank of Nova Scotia.
*10.26	Development Agreement, dated December 3, 1997, between the Company and Northwind Aladdin, LLC.
10.27	[RESERVED]
*10.28	Energy Lease, dated December 3, 1997, between the Company and Northwind Aladdin, LLC.
*10.29	Unicom Guaranty, dated December 3, 1997, between Unicom Corporation and the Company.
*10.30	Limited Liability Company Agreement of Aladdin Bazaar, LLC, dated September 3, 1997, between TH Bazaar Centers Inc. and Aladdin Bazaar Holdings, LLC.
*10.31	First Amendment to the Limited Liability Company Operating Agreement of Aladdin Bazaar, LLC, dated October 16, 1997.
*10.32	Music Project Memorandum of Understanding and Letter of Intent, dated September 2, 1997, between the Company and Planet Hollywood International, Inc.
*10.33	Amendment to Music Project Memorandum of Understanding and Letter of Intent, dated October 15, 1997, between the Company and Planet Hollywood International, Inc.
*10.34	GAI Contribution and Amendment Agreement, dated February 26, 1998, among the Company, Holdings and GAI, LLC.
*10.35	Goeglein Contribution and Amendment Agreement, dated February 26, 1998, among the Company, Holdings and Richard J. Goeglein.
*10.36	McKennon Contribution and Amendment Agreement, dated February 26, 1998, among the Company, Holdings and James H. McKennon.
*10.37	Klerk Contribution and Amendment Agreement, dated February 26, 1998, among the Company, Holdings and Cornelius T. Klerk.
*10.38	Galati Contribution and Amendment Agreement, dated February 26, 1998, among the Company, Holdings, and Lee A. Galati.

&lt;/TABLE&gt;

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<TABLE> <CAPTION> EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
<C>	<S>
*10.39	Rueda Contribution and Amendment Agreement, dated February 26, 1998, among the Company, Holdings and Jose A. Rueda.
*10.40	GAI Consulting Agreement, dated July 1, 1997, between GAI, LLC and the Company as amended as of January 1998.
*10.41	Employment and Consulting Agreement, dated July 1, 1997, between the Company and Richard J. Goeglein as amended as of January 1998.
*10.42	Employment Agreement, dated July 28, 1997, between the Company and James H. McKennon.
*10.43	Employment Agreement, dated July 28, 1997, between the Company and Cornelius T. Klerk.
*10.44	Employment Agreement, dated August 19, 1997, between the Company and Lee A. Galati.
*10.45	Employment Agreement, dated July 1, 1997, between the Company and Jose A. Rueda.
*10.46	FF&E Commitment Letter, dated January 23, 1998, between the Company and General Electric Capital Corporation.
*10.47	Mall Commitment Letter, dated December 29, 1997, between Aladdin Bazaar, LLC and Fleet National Bank, as Administrative Agent.
*10.48	Purchase Agreement, dated February 18, 1998, among Enterprises, Holdings, Capital, Aladdin Holdings, LLC, the Trust Under Article Sixth u/w/o Sigmund Sommer, London Clubs and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston Corporation, CIBC Oppenheimer Corp. and Scotia Capital Markets (USA) Inc. (the "Initial Purchasers").
*10.49	Contributed Land Appraisal prepared by HVS International.
*10.50	Second Amendment to Limited Liability Company Agreement of Aladdin Bazaar, LLC, dated May 1998.
+23.1	Consent of Arthur Andersen LLP.
+23.2	Consent of Price Waterhouse.
*23.3	Consent of Schreck Morris (included in exhibit 5.2).
+23.4	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in exhibits 5.1 and 8.1).
*23.5	Awareness Letter from Price Waterhouse.

</TABLE>

+ Filed herewith.

\* Previously filed.

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ITEM 17. UNDERTAKINGS.

(a) The undersigned Registrants hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, (ii) to reflect in the Prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 per cent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement, and (iii) to include any material information with respect to the

plan for distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) To file a post-effective amendment to the registration statement to include any financial statements required by Rule 3-19 of Regulation S-X at the start of any delayed offering or throughout a continuous offering.

(b) The undersigned registrant hereby undertakes to supplement the prospectus, after the expiration of the subscription period, to set forth the results of the subscription offer, the transactions by the underwriters during the subscription period, the amount of unsubscribed securities to be purchased by the underwriters, and the terms of any subsequent reoffering thereof. If any public offering by the underwriters is to be made on terms differing from those set forth on the cover page of the prospectus, a post-effective amendment will be filed to set forth the terms of such offering.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrants pursuant to the foregoing provisions, or otherwise, the Registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrants of expenses incurred or paid by a director, officer or controlling person of the Registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrants will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the Registration Statement when it became effective.

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(d) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Las Vegas, State of Nevada on July 22, 1998.

<TABLE>  
<S>

<C> <C>  
ALADDIN GAMING ENTERPRISES, INC.

By: \_\_\_\_\_ /s/ CORNELIUS T. KLERK  
-----  
Cornelius T. Klerk

</TABLE>

Pursuant to the requirements of the Securities Act of 1933, this Amendment to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
* ----- Jack Sommer	President/Director	July 22, 1998
* ----- Ronald Dictrow	Secretary/Director	July 22, 1998
/s/ CORNELIUS T. KLERK ----- Cornelius T. Klerk	Treasurer	July 22, 1998

\* By Power of Attorney

<S>	<C>	<C>	<C>
*By:	/s/ CORNELIUS T. KLERK		
	----- Cornelius T. Klerk ATTORNEY-IN-FACT		

</TABLE>

EXHIBIT INDEX

<C>	<S>	PAGE
<C>	<S>	-----
*3.1	Articles of Incorporation of Aladdin Gaming Enterprises, Inc. ("Enterprises").	
*3.2	Amendment No. 1 to Articles of Incorporation of Enterprises.	
*3.3	Articles of Organization of Aladdin Gaming Holdings, LLC ("Holdings").	
*3.4	Articles of Incorporation of Aladdin Capital Corp. ("Capital").	
*3.5	Articles of Organization of Aladdin Gaming, LLC (the "Company").	
*3.6	Bylaws of Enterprises.	
*3.7	Operating Agreement of Holdings.	
*3.8	Bylaws of Capital.	
*3.9	Operating Agreement of the Company.	
*4.1	Warrant Agreement, dated February 26, 1998, among Enterprises and State Street Bank and Trust Company, as Warrant Agent (the "Warrant Agent").	
*4.2	Warrant Registration Rights Agreement dated February 26, 1998, among Enterprises and the Initial Purchasers (as defined).	
*4.3	Equity Participation Agreement, dated February 26, 1998, among Sommer Enterprises, LLC, Enterprises, London Clubs Nevada, Inc. ("LCNI") and the Trustee (as defined).	
+5.1	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP regarding legality of securities being registered.	
*5.2	Opinion of Schreck Morris regarding legality of the securities being registered.	
+8.1	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP regarding certain tax matters.	
*10.1	Indenture, dated February 26, 1998, among Holdings, Capital and State Street Bank and Trust Company, as trustee (the "Trustee").	
+10.2	Note Registration Rights Agreement, dated February 26, 1998, among Holdings, Capital and the Initial Purchasers.	
*10.3	Noteholder Completion Guaranty, dated February 26, 1998, among the Trust Under Article Sixth u/w/o Sigmund Sommer, London Clubs International plc ("London Clubs"), Aladdin Bazaar Holdings, LLC and the Trustee.	
*10.4	Disbursement Agreement, dated February 26, 1998, among Holdings, the Company, the Bank of Nova Scotia, as Administrative Agent under the Bank Credit Facility, Disbursement Agent, and Securities Intermediary, U.S. Bank National Association as Servicing Agent and the Trustee.	
*10.5	The LLC Interest Pledge and Security Agreement, dated February 26, 1998, between Holdings and the Trustee.	

- \*10.6 The Holdings Collateral Account Agreement, dated February 26, 1998, between Holdings and the Trustee.
- \*10.7 Subsidiary Guaranty, dated February 26, 1998, among subsidiaries of London Clubs and the Trustee.
- \*10.8 Amended and Restated London Clubs Purchase Agreement, dated February 26, 1998, among LCNI, London Clubs, Holdings, Aladdin Holdings, LLC, the Company, Sommer Enterprises, LLC and the Trust Under Article Sixth u/w/o Sigmund Sommer.
- \*10.9 Closing Schedules to Amended and Restated London Clubs Purchase Agreement.
- \*10.10 Contribution Agreement, dated February 26, 1998, among the Trust Under Article Sixth u/w/o Sigmund Sommer, Aladdin Holdings, LLC, Sommer Enterprises, LLC, London Clubs and LCNI.
- \*10.11 Salle Privee Agreement, dated February 26, 1998, among the Company, LCNI and London Clubs.
- 10.12 [RESERVED]

</TABLE>

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<CAPTION>  
EXHIBIT

PAGE

- | <C>    | <S>   | <C> |
|--------|---|-----|
| *10.13 | Credit Agreement, dated February 26, 1998, among the Company, a syndicate of lenders (the "Bank Lenders"), The Bank of Nova Scotia as Administrative Agent, Merrill Lynch Capital Corporation as Syndication Agent and CIBC Oppenheimer Corp. as Documentation Agent. |     |
| *10.14 | Bank Completion Guaranty, dated February 26, 1998, among the Trust Under Article Sixth u/w/o Sigmund Sommer, London Clubs, Aladdin Bazaar Holdings, LLC and the Bank Lenders.   |     |
| *10.15 | Keep-Well Agreement, dated February 26, 1998, among Aladdin Holdings, LLC, London Clubs and Aladdin Bazaar Holdings, LLC.   |     |
| *10.16 | Design/Build Contract, dated December 4, 1997, between the Company and Fluor Daniel, Inc.   |     |
| *10.17 | Amendment No. 1 to Design/Build Contract, dated January 21, 1998, between the Company and Fluor Daniel, Inc.  |     |
| *10.18 | Amendment No. 2 to Design/Build Contract, dated January 28, 1998, between the Company and Fluor Daniel, Inc.  |     |
| *10.19 | Fluor Guaranty, dated December 4, 1997, between the Company and Fluor Corporation.  |     |
| +10.20 | Site Work, Development and Construction Agreement, dated February 26, 1998, among the Company, Aladdin Bazaar, LLC and Aladdin Holdings, LLC.   |     |
| *10.21 | Construction, Operation and Reciprocal Easement Agreement, dated February 26, 1998, among the Company, Aladdin Bazaar, LLC and Aladdin Music Holdings, LLC.   |     |
| *10.22 | Common Parking Area Use Agreement, dated February 26, 1998 between the Company and Aladdin Bazaar, LLC.   |     |
| +10.23 | Music Project Lease, dated February 26, 1998 between the Company and Aladdin Music Holdings, LLC.   |     |
| *10.24 | Mall Project Lease, dated February 26, 1998, between the Company and Aladdin Bazaar, LLC.   |     |
| *10.25 | Deed of Trust, Assignment of Rents and Leases, Fixture Filing and Security Agreement, dated February 26, 1998, made by the Company to Stewart Title of Nevada, as trustee for the benefit of the Bank of Nova Scotia.   |     |
| *10.26 | Development Agreement, dated December 3, 1997, between the Company and Northwind Aladdin, LLC.  |     |
| 10.27  | [RESERVED]  |     |
| *10.28 | Energy Lease, dated December 3, 1997, between the Company and Northwind Aladdin, LLC.   |     |
| *10.29 | Unicom Guaranty, dated December 3, 1997, between Unicom Corporation and the Company.  |     |
| *10.30 | Limited Liability Company Agreement of Aladdin Bazaar, LLC, dated September 3, 1997, between TH Bazaar Centers Inc. and Aladdin Bazaar Holdings, LLC.   |     |
| *10.31 | First Amendment to the Limited Liability Company Operating Agreement of Aladdin Bazaar, LLC, dated October 16, 1997.  |     |
| *10.32 | Music Project Memorandum of Understanding and Letter of Intent, dated September 2, 1997, between the Company and Planet Hollywood International, Inc.   |     |
| *10.33 | Amendment to Music Project Memorandum of Understanding and Letter of Intent, dated October 15, 1997, between the Company and Planet Hollywood International, Inc.   |     |
| *10.34 | GAI Contribution and Amendment Agreement, dated February 26, 1998, among the Company, Holdings and GAI, LLC.  |     |

</TABLE>

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EXHIBIT

PAGE

- | <C>    | <S>   | <C> |
|--------|---|-----|
| *10.35 | Goeglein Contribution and Amendment Agreement, dated February 26, 1998, among the Company, Holdings and Richard J. Goeglein.        |     |
| *10.36 | McKennon Contribution and Amendment Agreement, dated February 26, 1998, among the Company, Holdings and James H. McKennon.          |     |
| *10.37 | Klerk Contribution and Amendment Agreement, dated February 26, 1998, among the Company, Holdings and Cornelius T. Klerk.            |     |
| *10.38 | Galati Contribution and Amendment Agreement, dated February 26, 1998, among the Company, Holdings, and Lee A. Galati.               |     |
| *10.39 | Rueda Contribution and Amendment Agreement, dated February 26, 1998, among the Company, Holdings and Jose A. Rueda.                 |     |
| *10.40 | GAI Consulting Agreement, dated July 1, 1997, between GAI, LLC and the Company as amended as of January 1998.                       |     |
| *10.41 | Employment and Consulting Agreement, dated July 1, 1997, between the Company and Richard J. Goeglein as amended as of January 1998. |     |

- \*10.42 Employment Agreement, dated July 28, 1997, between the Company and James H. McKennon.
- \*10.43 Employment Agreement, dated July 28, 1997, between the Company and Cornelius T. Klerk.
- \*10.44 Employment Agreement, dated August 19, 1997, between the Company and Lee A. Galati.
- \*10.45 Employment Agreement, dated July 1, 1997, between the Company and Jose A. Rueda.
- \*10.46 FF&E Commitment Letter, dated January 23, 1998, between the Company and General Electric Capital Corporation.
- \*10.47 Mall Commitment Letter, dated December 29, 1997, between Aladdin Bazaar, LLC and Fleet National Bank, as Administrative Agent.
- \*10.48 Purchase Agreement, dated February 18, 1998, among Enterprises, Holdings, Capital, Aladdin Holdings, LLC, the Trust Under Article Sixth u/w/o Sigmund Sommer, London Clubs and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston Corporation, CIBC Oppenheimer Corp. and Scotia Capital Markets (USA) Inc. (the "Initial Purchasers").
- \*10.49 Contributed Land Appraisal prepared by HVS International.
- \*10.50 Second Amendment to Limited Liability Company Agreement of Aladdin Bazaar, LLC, dated May 1998.
- +23.1 Consent of Arthur Andersen LLP.
- +23.2 Consent of Price Waterhouse.
- \*23.3 Consent of Schreck Morris (included in exhibit 5.2).
- +23.4 Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in exhibits 5.1 and 8.1).
- \*23.5 Awareness Letter from Price Waterhouse.

</TABLE>

-----

+ Filed herewith.

\* Previously filed.

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP  
919 Third Avenue  
New York, New York 10022

DIRECT DIAL  
212-735-2640  
DIRECT FAX  
212-735-2000

July 22, 1998

Aladdin Gaming Enterprises, Inc.  
831 Pilot Road  
Las Vegas, Nevada 89119

Ladies and Gentlemen:

Re: Aladdin Gaming Enterprises, Inc.  
Registration Statement (333-49715)

We have acted as special counsel to Aladdin Gaming Enterprises, Inc., a corporation organized under the laws of the State of Nevada (the "Company"), in connection with the registration under the Securities Act of 1933, as amended (the "Act"), of 2,215,000 Warrants (the "Warrants") to purchase shares of Class B Common Stock, no par value, of the Company (the "Warrant Shares"). The Warrants were issued pursuant to a Warrant Agreement (the "Warrant Agreement") dated as of February 26, 1998 between the Company and State Street Bank and Trust Company ("State Street"), as Warrant Agent for the benefit of the holders of the Warrants (in such capacity, the "Warrant Agent").

This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Act.

In connection with this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of (i) the Registration Statement on Form S-1 (File No. 333-49715) as filed with the Securities Exchange Commission (the "Commission") on April 9, 1998 under the Act, Amendment No. 1 thereto filed on June 11, 1998 and Amendment No. 2 thereto with which this opinion is being filed (such Registration Statement,

as so amended, being hereinafter referred to as the

ALADDIN GAMING ENTERPRISES, INC.

July 22, 1998

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"Registration Statement"); (ii) the Warrant Agreement; (iii) the form of the Warrants, included as an exhibit to the Warrant Agreement and (iv) the Warrant Registration Rights Agreement dated February 26, 1998 among the Company and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston Corporation, CIBC Oppenheimer Corp. and Scotia Capital Markets (USA) Inc. (the "Warrant Registration Rights Agreement"). We have also examined originals or copies, certified or otherwise identified to our satisfaction, of such other records of the Company and such agreements, certificates or records of public officials, certificates of officers or representatives of the Company, respectively, and such other documents, certificates and records as we have deemed necessary or appropriate as a basis for the opinions set forth herein. The documents described in clauses (ii) and (iii) are referred to herein as the "Operative Documents."

In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures (including endorsements), the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such copies. In making our examination of executed documents (including the Operative Documents), we have assumed that the parties thereto (including the Company) had the power, corporate or other, to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action, corporate or other, and execution and delivery by such parties of such documents and (except to the extent we have opined on such matters below with respect to the Operative Documents) that such documents constitute valid and binding obligations of such parties. In providing the opinion set forth below, we have also assumed that the execution and delivery by the Company of the Operative Documents and the performance by the Company of its obligations thereunder do not and will not violate, conflict with, or constitute a default under (i) any agreement or instrument to which the Company or any of its properties is subject, (ii) any law, rule, or regulation to which the Company or its properties is subject (except that we do not make the assumption set forth in this clause (ii) with respect to those laws, rules and regulations of the State of New York and of the United States of America which, in our experience, are normally applicable to transactions of the type contemplated by the Operative

ALADDIN GAMING ENTERPRISES, INC.

July 22, 1998

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Documents (other than securities or anti-fraud laws of any jurisdiction), but without our having made any special investigation concerning any other laws, rules or regulations), (iii) any judicial or regulatory order or decree of any governmental authority or (iv) any consent, approval, license, authorization or validation of, or filing, recording or registration with any governmental authority. Based solely upon discussions with officers of the Company responsible for such matters and review of material documents identified to us by such officers, there are no such violations, conflicts or defaults. Based on our due diligence investigation, we do not know of any other such violations, conflicts or defaults. As to any facts material to the opinion expressed herein which were not independently established or verified, we have relied upon oral or written statements and representations of officers and other representatives of the Company and the Warrant Agent and others. Certain matters under the laws of the State of Nevada, which we have assumed hereunder, have been addressed in the opinion of Schreck Morris, a copy of which is being filed as Exhibit 5.2 to the Registration Statement, and we refer you to such opinion with respect to such assumed matters.

Members of our firm are admitted to the bar in the State of New York, and we express no opinion as to the laws of any other jurisdiction, including, without limitation, the laws of the State of Nevada, other than the laws of the United States of America, to the extent referred to specifically herein.

Based upon and subject to the limitations, qualifications, exceptions and assumptions set forth herein, we are of the opinion that the Warrants constitute valid and binding obligations of the Company, entitled to the benefits of the Warrant Agreement and enforceable against the Company in accordance with their terms, except that (A) the enforcement thereof may be subject to, or limited by, (i) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws now or hereafter in effect relating to or affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity) and (B) the rights to indemnification and contribution contained in the Warrant Registration Rights Agreement may be limited by state or federal securities laws or the public policy underlying such laws.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement. We also consent to the reference to our firm in the Registration Statement and in the related Prospectus as the same appears under the caption "Legal Matters." In giving this consent, we do not

ALADDIN GAMING ENTERPRISES, INC.

July 22, 1998

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thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission.

Very truly yours,

/S/ SKADDEN, ARPS, SLATE,  
MEAGHER & FLOM LLP

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP  
919 Third Avenue  
New York, New York 10022

July 22, 1998

Aladdin Gaming Enterprises, Inc.  
831 Pilot Road  
Las Vegas, Nevada 89119

Dear Ladies and Gentlemen:

You have requested our opinion regarding the discussion of the material United States federal income tax considerations under the heading "Certain United States Federal Income Tax Considerations" in the Prospectus (the "Prospectus") which will be included in the Registration Statement on Form S-1 (the "Registration Statement") filed by Aladdin Gaming Enterprises, Inc. (the "Issuer") on the date hereof with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"). The Prospectus relates to the 2,215,000 warrants to purchase Class B non-voting common stock, no par value, of the Issuer. This opinion is delivered in accordance with the requirements of Item 601(b)(8) of Regulation S-K under the Securities Act.

We have reviewed the Prospectus and such other materials as we have deemed necessary or appropriate as a basis for our opinion described herein, and have considered the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated thereunder, pertinent judicial authorities, interpretive rulings of the Internal Revenue Service and such other authorities as we have considered relevant all as in effect on the date hereof. It should be noted that statutes, regulations, judicial decisions and administrative interpretations are subject to change at any time and, in some circumstances, with retroactive effect. A change in the authorities upon which our opinion is based could affect our conclusions.

Based upon the foregoing, it is our opinion that the statements made under the heading "Certain United States Federal Income Tax Considerations" in the Prospectus, to the extent that they constitute matters of law or legal conclusions, are correct in all material respects.

In accordance with the requirements of Item 601(b)(23) of Regulation S-K under the Securities Act, we hereby consent to the use of our name under the heading "LEGAL OPINIONS" in the Prospectus and to the filing of this opinion as an

Exhibit to the Registration Statement. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act of 1933 or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ SKADDEN, ARPS, SLATE,  
MEAGHER & FLOM LLP

---

Note Registration Rights Agreement

Dated As of February 26, 1998

among

Aladdin Gaming Holdings, LLC

and

Aladdin Capital Corp.

and

Merrill Lynch, Pierce, Fenner & Smith  
Incorporated,

Credit Suisse First Boston Corporation,

CIBC Oppenheimer Corp.

and

Scotia Capital Markets (USA) Inc.

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NOTE REGISTRATION RIGHTS AGREEMENT

This Note Registration Rights Agreement (the "Agreement") is made and entered into this 26th day of February, 1998, among Aladdin Gaming Holdings, LLC, a Nevada limited-liability company ("Holdings"), Aladdin Capital Corp., a Nevada corporation ("Capital" and, together with Holdings, the "Issuers"), and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston Corporation, CIBC Oppenheimer Corp. and Scotia Capital Markets (USA) Inc. (collectively, the "Initial Purchasers").

This Agreement is made pursuant to the Purchase Agreement, dated February 18, 1998, among the Issuers, Aladdin Gaming Enterprises, Inc., a Nevada corporation ("Enterprises" and, together with the Issuers, the "Aladdin

Parties"), Aladdin Holdings, LLC, a Delaware limited liability company ("AHL"), the Trust under Article Sixth u/w/o Sigmund Sommer (the "Trust"), London Clubs International, plc, a United Kingdom public limited company ("London Clubs" and, together with the Aladdin Parties, AHL and the Trust, the "Venture Parties") and the Initial Purchasers (the "Purchase Agreement"), which provides for, among other things, the sale by the Aladdin Parties to the Initial Purchasers of Units consisting in the aggregate of \$221.5 million principal amount at maturity of the Issuers' 13-1/2% Senior Discount Notes due 2010 (the "Securities") and Warrants to purchase an aggregate of 2,215,000 shares of Class B non-voting common stock of Enterprises. In order to induce the Initial Purchasers to enter into the Purchase Agreement, the Issuers have agreed to provide to the Initial Purchasers and their direct and indirect transferees the registration rights set forth in this Agreement. The execution of this Agreement is a condition to the closing under the Purchase Agreement.

In consideration of the foregoing, the parties hereto agree as follows:

1. Definitions.

As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"1933 Act" shall mean the Securities Act of 1933, as amended from time to time.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"AHL" shall have the meaning set forth in the preamble.

"Aladdin Parties" shall have the meaning set forth in the preamble.

"Capital" shall have the meaning set forth in the preamble.

"Closing Date" shall mean the Closing Time as defined in the Purchase Agreement.

"Consummate" means, with respect to an Exchange Offer, the occurrence of (i) the filing and effectiveness under the Act of the Exchange Offer Registration Statement relating to the Exchange Securities to be issued in the Exchange Offer, (ii) the maintenance of such Registration Statement continuously effective and the keeping of the Exchange Offer open for a period not less than the minimum period required pursuant to Section 2.1 hereof and (iii) the delivery by the

Issuers to the Trustee under the Indenture of Exchange Securities in the same aggregate accreted value as the aggregate accreted value of Securities that were tendered by Holders thereof pursuant to the Exchange Offer.

"Depository" shall mean The Depository Trust Company, or any other depository appointed by the Issuers, provided, however, that such depository must have an address in the Borough of Manhattan, in the City of New York.

"Enterprises" shall have the same meaning set forth in the preamble.

"Exchange Offer" shall mean the exchange offer by the Issuers of Exchange Securities for Transfer Restricted Securities pursuant to Section 2.1 hereof.

"Exchange Offer Registration" shall mean a registration under the 1933 Act effected pursuant to Section 2.1 hereof.

"Exchange Offer Registration Statement" shall mean an exchange offer registration statement on Form S-4 (or, if applicable, on another appropriate form), and all amendments and supplements to such registration statement, including the Prospectus contained therein, all exhibits thereto and all documents incorporated by reference therein.

"Exchange Period" shall have the meaning set forth in Section 2.1 hereof.

"Exchange Securities" shall mean the 13-1/2% Senior Discount Notes due 2010, issued by the Issuers under the Indenture containing terms identical to the Securities in all material respects (except for references to certain interest rate provisions, liquidated damages, restrictions on transfers and restrictive legends), to be offered to Holders in exchange for Transfer Restricted Securities pursuant to the Exchange Offer.

"Holder" shall mean an Initial Purchaser, for so long as it owns any Transfer Restricted Securities, and each of its successors, assigns and direct and indirect transferees who become registered owners of Transfer Restricted Securities under the Indenture and each Participating Broker-Dealer that holds Exchange Securities for so long as such Participating Broker-Dealer is required to deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of such Exchange Securities.

"Holdings" shall have the same meaning set forth in the preamble.

"Indenture" shall mean the Indenture relating to the Securities, dated as of February 26, 1998, between the Issuers and

trustee, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof.

"Initial Purchaser" or "Initial Purchasers" shall have the meaning set forth in the preamble.

"Issuers" shall have the meaning set forth in the preamble.

"London Clubs" shall have the same meaning set forth in the preamble.

"Majority Holders" shall mean the Holders of a majority of the aggregate accreted value of the outstanding Transfer Restricted Securities; provided that whenever the consent or approval of Holders of a specified percentage of Transfer Restricted Securities is required hereunder, Transfer Restricted Securities held by the Issuers or any Affiliate (as defined in the Indenture) of the Issuers shall be disregarded in determining whether such consent or approval was given by the Holders of such required percentage amount.

"Participating Broker-Dealer" shall mean any of Merrill Lynch Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston Corporation, CIBC Oppenheimer Corp. and Scotia Capital Markets (USA) Inc. and any other broker-dealer which makes a market in the Securities and exchanges Transfer Restricted Securities in the Exchange Offer for Exchange Securities.

"Person" shall mean an individual, partnership (general or limited), corporation, limited liability company, trust or unincorporated organization, or a governmental agency or body or political subdivision thereof.

"Private Exchange" shall have the meaning set forth in Section 2.1 hereof.

"Private Exchange Securities" shall have the meaning set forth in Section 2.1 hereof.

"Prospectus" shall mean the prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement, including any such prospectus supplement with respect to the terms of the offering of any portion of the Transfer Restricted Securities covered by a Shelf Registration Statement, and by all other

amendments and supplements to a prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

"Purchase Agreement" shall have the meaning set forth in the preamble.

"Registration Expenses" shall mean any and all expenses incident to performance of or compliance by the Issuers with this Agreement, including without limitation: (i) all SEC, stock exchange or National Association of Securities Dealers, Inc. (the "NASD") registration and filing fees, including, if applicable, the fees and expenses of any

"qualified independent underwriter" (and its counsel) that is required to be retained by any holder of Transfer Restricted Securities in accordance with the rules and regulations of the NASD, (ii) all fees and expenses incurred in connection with compliance with state securities or blue sky laws and compliance with the rules of the NASD (including reasonable fees and disbursements of counsel for any underwriters or Holders in connection with blue sky qualification of any of the Exchange Securities or Transfer Restricted Securities and any filings with the NASD), (iii) all expenses of any Persons in preparing or assisting in preparing, word processing, printing and distributing any Registration Statement, any Prospectus, any amendments or supplements thereto, any underwriting agreements, securities sales agreements and other documents relating to the performance of and compliance with this Agreement, except for such expenses incurred by Holders, underwriters or their respective counsel, (iv) all fees and expenses incurred in connection with the listing if any, of any of the Transfer Restricted Securities on any securities exchange or exchanges, (v) all rating agency fees, (vi) the fees and disbursements of counsel for any of the Venture Parties and of the independent public accountants of any of the Venture Parties, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance and (vii) the fees and expenses of the Trustee, and any escrow agent or custodian, but excluding, except as otherwise expressly provided in clauses (i) through (vii) above, (a) the fees and expenses of the Initial Purchasers in connection with the Exchange Offer or the Shelf Registration, including fees and expenses of counsel to the Initial Purchasers in connection therewith, and (b) underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of Transfer Restricted Securities by a Holder.

"Registration Statement" shall mean any registration statement of the Issuers which covers any of the Exchange Securities or Transfer Restricted Securities pursuant to the provisions of this Agreement, and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Rule 144" shall mean Rule 144 promulgated under the 1933 Act, as such Rule may be amended from time to time, or any similar rule (other than Rule 144A) or regulation hereafter adopted by the SEC providing for offers and sales of securities made in compliance therewith resulting in offers and sales by subsequent holders that are not affiliates of an issuer of such securities being free of the registration and prospectus delivery requirements of the 1933 Act.

"Rule 144A" shall mean Rule 144A promulgated under the 1933 Act, as such Rule may be amended from time to time, or any similar rule (other than Rule 144) or regulation hereafter adopted by the SEC.

"SEC" shall mean the Securities and Exchange Commission or any successor agency or government body performing the functions currently performed by the United States Securities and Exchange Commission.

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"Securities" shall have the meaning set forth in the preamble.

"Shelf Registration" shall mean a registration effected pursuant to Section 2.2 hereof.

"Shelf Registration Statement" shall mean a "shelf" registration statement of the Issuers pursuant to the provisions of Section 2.2 of this Agreement which covers all of the Transfer Restricted Securities or all of the Private Exchange Securities on an appropriate form under Rule 415 under the 1933 Act, or any similar rule that may be adopted by the SEC, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Transfer Restricted Securities" shall mean the Securities and, if issued, the Private Exchange Securities; provided, however, that each Security and, if issued, each Private Exchange Security, shall continue to be a Transfer Restricted Security until (i) the date on which such security has been exchanged by a Person other than a broker-dealer for an Exchange Security in the Exchange Offer, (ii) following the exchange by a Participating Broker-Dealer in the Exchange

Offer of a Security for an Exchange Security, the date on which such Exchange Security is sold to a purchaser who receives from such Participating Broker-Dealer on or prior to the date of such sale a copy of the Prospectus contained in the Exchange Offer Registration Statement, (iii) the date on which such Security has been effectively registered under the 1933 Act and disposed of in accordance with the Shelf Registration Statement or (iv) the date on which such Security is distributed to the public pursuant to Rule 144 under the 1933 Act.

"Trust" shall have the meaning set forth in the preamble.

"Trustee" shall mean the trustee with respect to the Securities under the Indenture.

"Venture Parties" shall have the meaning set forth in the preamble.

## 2. Registration Under the 1933 Act.

2.1. Exchange Offer. The Issuers shall, for the benefit of the Holders, at the Issuers' cost, (A) prepare and, as soon as practicable but not later than 45 days following the Closing Date, file with the SEC an Exchange Offer Registration Statement on an appropriate form under the 1933 Act with respect to a proposed Exchange Offer and the issuance and delivery to the Holders, in exchange for the Transfer Restricted Securities (other than Private Exchange Securities), of a like principal amount of Exchange Securities, (B) use their reasonable best efforts to cause the Exchange Offer Registration Statement to be declared effective under the 1933 Act on or prior to 150 days from the Closing Date, (C) use their reasonable best efforts to keep the Exchange Offer Registration Statement effective until the closing of the Exchange Offer and (D) use their reasonable best efforts to cause the Exchange Offer to be consummated on or prior to 30 business days following the date on which the Exchange Offer Registration Statement was declared effective by the SEC. The Exchange Securities will be issued under the Indenture.

Upon the effectiveness of the Exchange Offer Registration Statement, the Issuers shall promptly commence the Exchange Offer, it being the objective of such Exchange Offer to enable each Holder eligible and electing to exchange Transfer Restricted Securities for Exchange Securities (assuming that such Holder (a) is not an affiliate of the Issuers within the meaning of Rule 405 under the 1933 Act, (b) is not a broker-dealer tendering Transfer Restricted Securities acquired directly from the Issuers for its own account, (c) acquired the Exchange Securities in the ordinary course of such Holder's business and (d) has no arrangements or understandings with any Person to participate in the Exchange Offer for the purpose of distributing the Exchange Securities) and to transfer such Exchange Securities from and after their receipt without any limitations or

restrictions under the 1933 Act and under state securities or blue sky laws.

In connection with the Exchange Offer, the Issuers shall:

(a) mail or cause to be mailed as promptly as reasonably practicable to each Holder a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(b) keep the Exchange Offer open for acceptance for a period of not less than 30

calendar days after the date notice thereof is mailed to the Holders (or longer if required by applicable law) (such period referred to herein as the "Exchange Period");

(c) utilize the services of the Depository for the Exchange Offer;

(d) permit Holders to withdraw tendered Transfer Restricted Securities at any time prior to 5:00 p.m. (Eastern Time), on the second to last business day of the Exchange Period, by sending to the institution specified in the notice, a telegram, telex, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Transfer Restricted Securities delivered for exchange, and a statement that such Holder is withdrawing such Holder's election to have such Securities exchanged;

(e) notify each Holder that any Transfer Restricted Security not tendered will

remain outstanding and continue to accrue interest, but will not retain any rights under this Agreement (except in the case of the Initial Purchasers and Participating Broker-Dealers as provided herein); and

(f) otherwise comply in all respects with all applicable laws relating to the Exchange Offer.

If, prior to consummation of the Exchange Offer, the Initial Purchasers hold any Securities acquired by them and having the status of an unsold allotment in the initial distribution and determine upon advice of external counsel that it is ineligible to participate in the Exchange Offer, as soon as practicable upon receipt by the Issuers of a written request from such Initial Purchaser, the Issuers shall issue and deliver to such Initial Purchaser in exchange (the "Private Exchange") for the Securities held by such Initial Purchaser, a like principal amount of debt securities of the Issuers, that are identical (except that such securities shall bear appropriate transfer restrictions) to the Exchange Securities (the "Private Exchange Securities").

The Exchange Securities and the Private Exchange Securities shall be issued under (i) the Indenture or (ii) an indenture identical in all material respects to the Indenture and which, in either case, has been qualified under the Trust Indenture Act of 1939, as amended (the "TIA"), or is exempt from such qualification and shall provide that the Exchange Securities shall not be subject to the transfer restrictions set forth in the Indenture but that the Private Exchange Securities shall be subject to such transfer restrictions. The Indenture or such indenture shall provide that the Exchange Securities, the Private Exchange Securities and the Securities shall vote and consent together on all matters as one class and that none of the Exchange Securities, the Private Exchange Securities or the Securities will have the right to vote or consent as a separate class on any matter. The Private Exchange Securities shall be of the same series as, and the Issuers shall use commercially reasonable efforts to have the Private Exchange Securities bear the same CUSIP number as, the Exchange Securities. The Issuers shall not have any liability under this Agreement solely as a result of such Private Exchange Securities not bearing the same CUSIP number as the Exchange Securities.

As soon as practicable after the close of the Exchange Offer and/or the Private Exchange, as the case may be, the Issuers shall:

(i) accept for exchange all Transfer Restricted Securities duly tendered and not validly withdrawn pursuant to the Exchange Offer in accordance with the terms of the Exchange Offer Registration Statement and the letter of transmittal which shall be an exhibit thereto;

(ii) accept for exchange all Securities properly tendered pursuant to the Private Exchange;

(iii) deliver to the Trustee for cancellation all Transfer Restricted Securities so accepted for exchange; and

(iv) cause the Trustee promptly to authenticate and deliver Exchange Securities or Private Exchange Securities, as the case may be, to each Holder of Transfer Restricted Securities so accepted for exchange in a principal amount equal to the principal amount of the Transfer Restricted Securities of such Holder so accepted for exchange.

Interest on each Exchange Security and Private Exchange Security will accrue from the last date on which interest was paid on the Transfer Restricted Securities surrendered in exchange therefor or, if no interest has been paid on the Transfer Restricted Securities, from the date of original issuance. The Exchange Offer and the Private Exchange shall not be subject to any conditions, other than (i) that the Exchange Offer or the Private Exchange, or the making of any exchange by a Holder, does not violate applicable law or any applicable interpretation of the staff of the SEC, (ii) the due tendering of Transfer Restricted Securities in accordance with the Exchange

Offer and the Private Exchange, (iii) that each Holder of Transfer Restricted Securities exchanged in the Exchange Offer shall have made customary representations in connection therewith, including that all Exchange Securities to be received by it shall be acquired in the ordinary course of its business and that at the time of the consummation of the Exchange Offer it

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shall have no arrangement or understanding with any person to participate in the distribution (within the meaning of the 1933 Act) of the Exchange Securities, and shall have made such other representations as may be reasonably necessary under applicable SEC rules, policy, regulations or interpretations to render the use of Form S-4 or other appropriate form under the 1933 Act available and (iv) that no action or proceeding shall have been instituted or threatened in any court or by or before any governmental agency or body with respect to the Exchange Offer or the Private Exchange which, in the Issuers' judgment, would reasonably be expected to impair the ability of the Issuers to proceed with the Exchange Offer or the Private Exchange. The Issuers shall inform the Initial Purchasers of the names and addresses of the Holders to whom the Exchange Offer is made, and the Initial Purchasers shall have the right to contact such Holders and otherwise facilitate the tender of Transfer Restricted Securities in the Exchange Offer.

2.2. Shelf Registration. If (i) the Issuers are not required to file the Exchange Offer Registration Statement or permitted to consummate the Exchange Offer as contemplated in Section 2.1 because the Exchange Offer is not permitted by applicable law or by SEC rules or regulations or applicable interpretations thereof by the staff of the SEC or (ii) any Holder of Transfer Restricted Securities (having a reasonable basis to do so) notifies the Issuers prior to the 20th day following consummation of the Exchange Offer that (A) it is prohibited by law or SEC policy from participating in the Exchange Offer or (B) it may not resell the Securities acquired by it in the Exchange Offer to the public without delivering a Prospectus and the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales or (C) it is a Participating Broker-Dealer and owns Securities acquired directly from the Issuers or an affiliate of the Issuers, then in case of each of clauses (i) and (ii) the Issuers shall, at their cost:

(a) Use their reasonable best efforts to file with the SEC on or prior to 45 days after the earlier of (x) the date on which the Issuers determine or receive notice from the SEC that the Exchange Offer Registration Statement cannot be filed as a result of clause (i) above and (y) the date on which the Issuers receive the notice specified in clause (ii) above, (such earlier date, the "Filing Deadline"), a Shelf Registration Statement relating to the offer and sale of the Transfer Restricted Securities by the Holders from time to time in accordance with the methods of distribution elected by

the Majority Holders participating in the Shelf Registration and set forth in such Shelf Registration Statement, and use their reasonable best efforts to cause such Shelf Registration Statement to be declared effective by the SEC on or prior to the later of (x) 90 days after the Filing Deadline for the Shelf Registration Statement and (y) 150 days after the Closing Date.

(b) Use their reasonable best efforts to keep the Shelf Registration Statement continuously effective in order to permit the Prospectus forming part thereof to be usable by Holders for a period of two years (or nine months in the case of a Shelf Registration Statement relating only to Private Exchange Securities) from the date the Shelf Registration Statement is declared effective by the SEC, or for such shorter period that will terminate when all Transfer

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Restricted Securities covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement or cease to be outstanding or otherwise to be Transfer Restricted Securities (the "Effectiveness Period").

(c) Notwithstanding any other provisions hereof, use their reasonable best efforts to ensure that (i) any Shelf Registration Statement and any amendment thereto and any Prospectus forming part thereof and any supplement thereto complies in all material respects with the 1933 Act and the rules and regulations thereunder, (ii) any Shelf Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any Prospectus forming part of any Shelf Registration Statement, and any supplement to such Prospectus (as amended or supplemented from time to time), does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in light of the circumstances under which they were made, not misleading.

The Issuers shall not permit any securities other than Transfer Restricted Securities to be included in the Shelf Registration Statement. The Issuers further agree, if necessary, to supplement or amend the Shelf Registration Statement, as required by Section 3(b) below, and to furnish to the Holders of Transfer Restricted Securities copies of any such supplement or amendment promptly after its being used or filed with the SEC.

2.3. Expenses. The Issuers shall pay all Registration Expenses in connection with the registration pursuant to Section 2.1 or 2.2. Each Holder shall pay all underwriting discounts and commissions and transfer taxes, if any, relating to, and fees and other costs of counsel in connection with, the sale or disposition of such Holder's Transfer Restricted Securities pursuant to the Shelf Registration Statement.

2.4. Effectiveness. An Exchange Offer Registration Statement pursuant to Section 2.1 hereof or a Shelf Registration Statement pursuant to Section 2.2 hereof will not be deemed to have become effective unless it has been declared effective by the SEC; provided, however, that if, after it has been declared effective, the offering of Transfer Restricted Securities pursuant to an Exchange Offer Registration Statement or a Shelf Registration Statement is interfered with by any stop order, injunction or other order or requirement of the SEC or any other governmental agency or court, such Registration Statement will be deemed not to have been effective during the period of such interference, until the offering of Transfer Restricted Securities pursuant to such Registration Statement may legally resume.

#### 2.5. Interest.

If (i) any of the Registration Statements required by this Agreement is not filed with the SEC on or prior to the date specified for such filing in this Agreement, (ii) any of such Registration Statements is not declared effective by the SEC on or prior to the date specified for such effectiveness in this Agreement (the "Effectiveness Target Date"), (iii) the Exchange Offer has not been Consummated within 30 business days after the Effectiveness Target Date with respect to the Exchange Offer Registration Statement or (iv) the Exchange Offer Registration Statement or the Shelf Registration Statement is declared effective but shall thereafter cease to be effective or fail to be usable in connection with exchanges or resales of Transfer Restricted Securities without being succeeded immediately by a post-effective amendment to such Registration Statement that cures such failure and that is itself immediately declared effective (each such event referred to in clauses (i) through (iv), a "Registration Default"), then the Issuers agree that liquidated damages shall accrue on the accreted value of Securities constituting Transfer Restricted Securities for any period during which a Registration Default exists and remains uncured at a rate of 0.25% per annum with respect to the first 90-day period immediately following the occurrence of the first Registration Default. The amount of liquidated damages will increase by an additional 0.25% per annum with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of liquidated damages of 1.00% per annum on the accreted value of the Securities constituting Transfer Restricted Securities.

The Issuers shall notify the Trustee within five business days after each and every date on which an event occurs in respect of which liquidated damages are required to be paid. All accrued liquidated damages shall be paid on or before the applicable semiannual interest

payment date by wire transfer of immediately available funds or by federal funds check as set forth in the Indenture. Following the cure of all Registration Defaults relating to any particular Transfer Restricted Securities, the accrual of liquidated damages with respect to such Transfer Restricted Securities will cease.

### 3. Registration Procedures.

In connection with the obligations of the Issuers with respect to Registration Statements pursuant to Sections 2.1 and 2.2 hereof, the Issuers shall:

(a) prepare and file with the SEC a Registration Statement, within the relevant time period specified in Section 2, on the appropriate form under the 1933 Act, which form (i) shall be selected by the Issuers, (ii) shall, in the case of a Shelf Registration, be available for the sale of the Transfer Restricted Securities by the selling Holders thereof, (iii) shall comply as to form in all material respects with the requirements of the applicable form and include or incorporate by reference all financial statements required by the SEC to be filed therewith or incorporated by reference therein and (iv) shall comply in all material respects with the requirements of Regulation S-T under the 1933 Act;

(b) use their reasonable best efforts to prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary under applicable law to keep such Registration Statement effective for the applicable period; and use their reasonable best efforts to cause each Prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provision then in force) under the 1933 Act and comply with the provisions of the 1933 Act, the 1934 Act and the rules and regulations thereunder applicable to them with respect to the disposition of all securities covered by each Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the selling Holders thereof (including sales by any Participating Broker-Dealer);

(c) in the case of a Shelf Registration, (i) notify each Holder of Transfer Restricted Securities, at least three business days prior to filing, that a Shelf Registration Statement with respect to the Transfer Restricted Securities is being filed and advising such Holders that the distribution of Transfer Restricted Securities will be made in accordance with the method selected by the Majority Holders participating in the Shelf Registration; (ii) furnish to each Holder of Transfer Restricted Securities and to each underwriter of an underwritten offering of Transfer Restricted Securities, if any, without charge, as many copies of each Prospectus, including each preliminary Prospectus, and any amendment or supplement thereto and such other documents as such Holder or underwriter may reasonably request, including financial statements and schedules and, if the Holder so requests, a reasonable number of copies of all exhibits in order to facilitate the public sale or other

disposition of the Transfer Restricted Securities; and (iii) consent to the use of the Prospectus or any amendment or supplement thereto by each of the selling Holders of Transfer Restricted Securities in connection with the offering and sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

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(d) use their reasonable best efforts to register or qualify the Transfer Restricted Securities under all applicable state securities or "blue sky" laws of such jurisdictions in the United States as any Holder of Transfer Restricted Securities covered by a Registration Statement and, in the case of a Shelf Registration Statement, each underwriter of an underwritten offering of Transfer Restricted Securities shall reasonably request in writing a reasonable period of time prior to the time the applicable Registration Statement is declared effective by the SEC, and do any and all other acts and things which may be reasonably necessary or advisable to enable each such Holder and underwriter to consummate the disposition or exchange in each such jurisdiction of such Transfer Restricted Securities owned by such Holder; provided, however, that the Issuers shall not be required to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where they would not otherwise be required to qualify but for this Section 3(d), or (ii) take any action which would subject them to general service of process or taxation in any such jurisdiction where they are not then so subject;

(e) upon receiving notice of any of the following events, notify promptly each Holder of Transfer Restricted Securities under a Shelf Registration or any Participating Broker-Dealer who has notified the Issuers that it is utilizing the Exchange Offer Registration Statement as provided in paragraph (f) below and, if requested by such Holder or Participating Broker-Dealer, confirm such notice in writing promptly (i) when a Registration Statement has become effective and when any post-effective amendments and supplements thereto become effective, (ii) of any request by the SEC or any state securities authority for post-effective amendments and supplements to a Registration Statement and Prospectus or for additional information after the Registration Statement has become effective, (iii) of the issuance by the SEC or any state securities authority of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, (iv) in the case of a Shelf Registration, if, between the effective date of a Registration Statement and the closing of any sale of Transfer Restricted Securities covered thereby, the representations and warranties of the Issuers contained in any underwriting agreement, securities sales agreement or other similar agreement, if any, relating to the offering cease to be true and correct in all material respects, (v) of the happening of any event or the discovery of any facts during the period a Shelf Registration Statement is effective which makes any statement made in such Registration Statement or the related Prospectus untrue in any material respect or which requires the making of any

changes in such Registration Statement or Prospectus in order to make the statements therein not misleading in any material respect, (vi) of the receipt by the Issuers of any notification with respect to the suspension of the qualification of the Transfer Restricted Securities or the Exchange Securities, as the case may be, for sale in any jurisdiction or the initiation of any proceeding for such purpose and (vii) of any determination by the Issuers that a posteffective amendment to such Registration Statement would be appropriate;

(f) (A) in the case of the Exchange Offer Registration Statement (i) include in the Exchange Offer Registration Statement a section entitled "Plan of Distribution" which section shall be reasonably acceptable to Merrill Lynch, Pierce, Fenner & Smith Incorporated on behalf of the Participating Broker-Dealers, and which shall contain a summary statement of the positions taken or policies made by the staff of the SEC with respect to the potential "underwriter" status of any broker-dealer that holds Transfer Restricted Securities acquired for its own account

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as a result of market-making activities or other trading activities and that will be the beneficial owner (as defined in Rule 13d-3 under the 1934 Act) of Exchange Securities to be received by such broker-dealer in the Exchange Offer, whether such positions or policies have been publicly disseminated by the staff of the SEC or such positions or policies, in the reasonable judgment of Merrill Lynch, Pierce, Fenner & Smith Incorporated on behalf of the Participating Broker-Dealers and its counsel, represent the prevailing views of the staff of the SEC, including a statement that any such broker-dealer who receives Exchange Securities for Transfer Restricted Securities pursuant to the Exchange Offer may be deemed a statutory underwriter and must deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of such Exchange Securities, (ii) furnish to each Participating Broker-Dealer who has delivered to the Issuers the notice referred to in Section 3(e), without charge, as many copies of each Prospectus included in the Exchange Offer Registration Statement, including any preliminary prospectus, and any amendment or supplement thereto, as such Participating Broker-Dealer may reasonably request, (iii) consent to the use of the Prospectus forming part of the Exchange Offer Registration Statement or any amendment or supplement thereto, by any Person subject to the prospectus delivery requirements of the SEC, including all Participating Broker-Dealers, in connection with the sale or transfer of the Exchange Securities covered by the Prospectus or any amendment or supplement thereto, and (iv) include in the transmittal letter or similar documentation to be executed by an exchange offeree in order to participate in the Exchange Offer (x) the following provision:

"If the exchange offeree is a broker-dealer holding Transfer Restricted Securities acquired for its own account as a result of market-making activities or other trading activities, it will deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of Exchange Securities

received in respect of such Transfer Restricted Securities pursuant to the Exchange Offer;" and

(y) a statement to the effect that by a broker-dealer making the acknowledgment described in clause (x) and by delivering a Prospectus in connection with the exchange of Transfer Restricted Securities, the broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the 1933 Act; and

(B) in the case of any Exchange Offer Registration Statement, the Issuers agree to deliver to the Initial Purchasers on behalf of the Participating Broker-Dealers, if requested by any such Initial Purchaser, upon the Consummation of the Exchange Offer (i) an opinion of counsel or opinions of counsel reasonably satisfactory to the Initial Purchasers covering (x) the matters and subject to the qualifications and exceptions customarily received by such Initial Purchasers requested in connection with the Exchange Offer Registration Statement and (y) such other matters as may be reasonably requested, (ii) officers' certificates substantially in the form customarily delivered in a public offering of debt securities and (iii) a comfort letter or comfort letters in customary form to the extent permitted by Statement on Auditing Standards No. 72 of the American Institute of Certified Public Accountants (or if such a comfort letter is not permitted, an agreed upon procedures letter in customary form) from the Issuers' independent certified public accountants and the independent certified accountants of London Clubs (and, if necessary, independent certified public accountants of the Trust, any subsidiary of the Issuers,

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London Clubs or the Trust or of any business acquired by the Issuers for which financial statements are, or are required to be, included in the Registration Statement);

(g) (i) in the case of an Exchange Offer, furnish counsel for the Initial Purchasers and (ii) in the case of a Shelf Registration, furnish counsel for the Holders of Transfer Restricted Securities copies of any comment letters received from the SEC or any other request by the SEC or any state securities authority for amendments or supplements to a Registration Statement and Prospectus or for additional information;

(h) make commercially reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement as soon as reasonably practicable;

(i) in the case of a Shelf Registration, furnish to each Holder of Transfer Restricted Securities, and each underwriter, if any, without charge, at least one conformed copy of each Registration Statement and any post-effective amendment thereto, including financial statements and schedules (without documents incorporated therein by reference and all exhibits thereto, unless requested);

(j) in the case of a Shelf Registration, cooperate with the selling Holders of Transfer Restricted Securities to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and enable such Transfer Restricted Securities to be in such denominations (consistent with the provisions of the Indenture) and registered in such names as the selling Holders or the underwriters, if any, may reasonably request at least three business days prior to the closing of any sale of Transfer Restricted Securities;

(k) in the case of a Shelf Registration, upon the occurrence of any event or the discovery of any facts, each as contemplated by Sections 3(e) (v) and 3(e) (vii) hereof, as promptly as practicable after the occurrence of such an event, use their reasonable best efforts to prepare a supplement or post-effective amendment to the Registration Statement or the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Transfer Restricted Securities or Participating Broker-Dealers, such Prospectus will not contain at the time of such delivery any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or will remain so qualified. At such time as such public disclosure is otherwise made or the Issuers determine that such disclosure is not necessary, in each case to correct any misstatement of a material fact or to include any omitted material fact, the Issuers agree promptly to notify each Holder of such determination and to furnish each Holder such number of copies of the Prospectus as amended or supplemented, as such Holder may reasonably request;

(l) in the case of a Shelf Registration, a reasonable time prior to the filing of any Registration Statement, any Prospectus, any amendment to a Registration Statement or amendment or supplement to a Prospectus or any document which is to be incorporated by reference into a Registration Statement or a Prospectus after initial filing of a Registration Statement, provide a reasonable number of copies of such document to the Initial Purchasers on

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behalf of such Holders; and make representatives of the Issuers as shall be reasonably requested by the Holders of Transfer Restricted Securities, or the Initial Purchasers on behalf of such Holders, available for discussion of such document;

(m) obtain a CUSIP number for all Exchange Securities, Private Exchange Securities or Transfer Restricted Securities, as the case may be, not later than the effective date of a Registration Statement, and provide the Trustee with printed certificates for the Exchange Securities, Private Exchange Securities or the Transfer Restricted Securities, as the case may be, in a form eligible for deposit with the Depositary;

(n) (i) cause the Indenture to be qualified under the TIA in connection with the registration of the Exchange Securities or Transfer Restricted Securities, as the case may be, (ii) cooperate with the Trustee and the Holders to effect such changes to the Indenture as may be required for the Indenture to be so qualified in accordance with the terms of the TIA and (iii) execute, and use their reasonable best efforts to cause the Trustee to execute, all documents as may be required to effect such changes, and all other forms and documents required to be filed with the SEC to enable the Indenture to be so qualified in a timely manner;

(o) in the case of a Shelf Registration, enter into agreements (including underwriting agreements) and take all other customary and appropriate actions in order to expedite or facilitate the disposition of such Transfer Restricted Securities, and in such connection whether or not an underwriting agreement is entered into and whether or not the registration is an underwritten registration, if requested by (x) any Initial Purchaser, in the case where an Initial Purchaser holds Securities acquired by it as part of its initial distribution and (y) any other Holder of Securities covered thereby:

(i) make such representations and warranties to the Holders of such Transfer Restricted Securities and the underwriters, if any, in form, substance and scope as are customarily made by issuers to underwriters in similar underwritten offerings as may be reasonably requested by them;

(ii) obtain opinions of counsel to the Issuers and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the managing underwriters, if any, and the holders of a majority in principal amount of the Transfer Restricted Securities being sold) addressed to each selling Holder and the underwriters, if any, covering the matters customarily covered in opinions requested in sales of securities or underwritten offerings and such other matters as may be reasonably requested by such Holders and underwriters (provided that such opinion may be subject to customary qualifications and exceptions);

(iii) obtain "cold comfort" letters and updates thereof from the Issuers' independent certified public accountants and the independent certified public accountants of London Clubs (and, if necessary, independent certified public accountants of the Trust, any subsidiary of the Issuers, London Clubs or the Trust or of any business acquired by the Issuers for which financial statements are, or

are required to be, included in the Registration Statement)

addressed to the underwriters, if any, and use reasonable efforts to have such letter addressed to the selling Holders of Transfer Restricted Securities (to the extent consistent with Statement on Auditing Standards No. 72 of the American Institute of Certified Public Accounts), such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters to underwriters in connection with similar underwritten offerings;

(iv) enter into a securities sales agreement with the Holders and an agent of the Holders providing for, among other things, the appointment of such agent for the selling Holders for the purpose of soliciting purchases of Transfer Restricted Securities, which agreement shall be in form, substance and scope customary for similar offerings;

(v) if an underwriting agreement is entered into, cause it to set forth indemnification provisions and procedures substantially equivalent to the indemnification provisions and procedures set forth in Section 4 hereof with respect to the underwriters and all other parties to be indemnified pursuant to said Section or, at the request of any underwriters, in the form customarily provided to such underwriters in similar types of transactions; and

(vi) deliver such documents and certificates as may be reasonably requested and as are customarily delivered in similar offerings to the Holders of a majority in principal amount of the Transfer Restricted Securities being sold and the managing underwriters, if any.

The obligations of the Issuers under this paragraph (o) are subject to the Holders and underwriters providing representations, warranties and indemnifications customarily provided by such persons under such agreements, and the Holders entering into custody agreements and powers of attorney containing the representations, warranties and indemnifications customarily provided by such persons in connection with secondary offerings of securities. The above shall be done at each closing under any underwriting or similar agreement as and to the extent required thereunder;

(p) in the case of a Shelf Registration or if a Prospectus is required to be delivered by any Participating Broker-Dealer in the case of an Exchange Offer, make available for inspection by representatives of the Holders of the Transfer Restricted Securities, any underwriters participating in any disposition pursuant to a Shelf Registration Statement, any Participating Broker-Dealer and any counsel or accountant retained by any of the foregoing (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of the Issuers reasonably necessary to the Inspectors to enable them to conduct any due diligence as is customary, and cause the respective officers, directors, employees, and any other agents of the Issuers to supply all information reasonably requested by the Inspectors in

connection therewith, and make such representatives of the Issuers available for discussion of such documents as shall be reasonably requested by the Initial Purchasers in connection

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therewith; provided that records which the Issuers determine, in good faith, to be confidential and which the Issuers notify the Inspectors are confidential shall not be disclosed by the Inspector unless: (i) the disclosure of such records shall be necessary to avoid or correct a material misstatement or omission in such Registration Statement, (ii) the release of such records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction or is otherwise required by law or (iii) the information contained in such records has been made generally available to the public (other than by a breach of these provisions by the Inspectors or any of their officers, employees or agents). Each Holder and each such Participating Broker-Dealer will be required to agree in writing that any such confidential information shall not be disclosed other than pursuant to clauses (i), (ii) or (iii) of the previous sentence.

(q) (i) in the case of an Exchange Offer Registration Statement, a reasonable time prior to the filing of any Exchange Offer Registration Statement, any Prospectus forming a part thereof, any amendment to any Exchange Offer Registration Statement or amendment or supplement to such Prospectus, provide copies of such document to the Initial Purchasers and to counsel to the Holders of Transfer Restricted Securities and to make such changes in any such document prior to the filing thereof which the Initial Purchasers or counsel to the Holders of Transfer Restricted Securities may reasonably request if the Issuers, acting reasonably and in good faith, deem such changes to be reasonable, and, except as otherwise required by applicable law, not file any such document in a form to which the Initial Purchasers on behalf of the Holders of Transfer Restricted Securities and counsel to the Holders of Transfer Restricted Securities shall not have previously been advised and furnished a copy of or to which the Initial Purchasers on behalf of the Holders of Transfer Restricted Securities or counsel to the Holders of Transfer Restricted Securities shall reasonably object if the Issuers, acting reasonably and in good faith, deem such objection to be reasonable, and make the representatives of the Issuers available for discussion of such documents as shall be reasonably requested by the Initial Purchasers; and

(ii) in the case of a Shelf Registration, a reasonable time prior to filing any Shelf Registration Statement, any Prospectus forming a part thereof, any amendment to such Shelf Registration Statement or amendment or supplement to such Prospectus, provide copies of such document to the Holders of Transfer Restricted Securities, to the Initial Purchasers, to counsel for the Holders and to the underwriter or underwriters of an underwritten offering of Transfer Restricted Securities, if any, make such changes in any such document prior to the filing thereof as the Initial Purchasers, the counsel to the Holders or the underwriter or underwriters reasonably request if the Issuers,

acting reasonably and in good faith, deem such changes to be reasonable, and not file any such document in a form to which the Majority Holders, the Initial Purchasers on behalf of the Holders of Transfer Restricted Securities, counsel for the Holders of Transfer Restricted Securities or any underwriter shall not have previously been advised and furnished a copy of or to which the Majority Holders, the Initial Purchasers of behalf of the Holders of Transfer Restricted Securities, counsel to the Holders of Transfer Restricted Securities or any underwriter shall reasonably object if the Issuers, acting reasonably and in good faith, deem such objection to be reasonable, and make the representatives of the Issuers available for discussion of such document as shall be reasonably requested by the Holders of Transfer

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Restricted Securities, the Initial Purchasers on behalf of such Holders, counsel for the Holders of Transfer Restricted Securities or any underwriter.

(r) in the case of a Shelf Registration, use their commercially reasonable efforts to cause all Transfer Restricted Securities to be listed on any securities exchange on which similar debt securities issued by the Issuers are then listed if requested by the Majority Holders, or if requested by the underwriter or underwriters of an underwritten offering of Transfer Restricted Securities, if any;

(s) in the case of a Shelf Registration, use their reasonable best efforts to cause the Transfer Restricted Securities to be rated by the appropriate rating agencies, if so requested by the Majority Holders, or if requested by the underwriter or underwriters of an underwritten offering of Transfer Restricted Securities, if any;

(t) otherwise materially comply with all material applicable rules and regulations of the SEC and make available to their security holders, as soon as reasonably practicable, an earnings statement covering at least 12 months which shall satisfy the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder;

(u) cooperate and assist in any filings required to be made with the NASD and, in the case of a Shelf Registration, in the performance of any due diligence investigation by any underwriter and its counsel (including any "qualified independent underwriter" that is required to be retained in accordance with the rules and regulations of the NASD); and

(v) upon consummation of an Exchange Offer or a Private Exchange, obtain any customary opinion of counsel to the Issuers addressed to the Trustee for the benefit of all Holders of Transfer Restricted Securities participating in the Exchange Offer or Private Exchange, and which includes an opinion that the issuance of the Exchange Securities or the Private Exchange Securities, as applicable, has been duly authorized by the Issuers and, when the Exchange Securities or the Private Exchange Securities have been duly executed,

authenticated and issued in accordance with the Indenture as contemplated by this Agreement, shall constitute legal, valid and binding obligations of the Issuers, enforceable against the Issuers in accordance with its respective terms (with customary exceptions, qualifications and assumptions).

The Issuers may require each seller of Transfer Restricted Securities as to which a registration is being effected to furnish to the Issuers such information regarding such seller as may be required by the staff of the SEC to be included in a Registration Statement and the Issuers may exclude from such registration the Transfer Restricted Securities of any seller who fails to furnish such information within a reasonable time (which amount of reasonable time shall be reasonably determined by the Issuers); provided, that the Issuers shall provide written notice to any such seller of any such request.

In the case of a Shelf Registration Statement, each Holder agrees that, upon receipt of any notice from the Issuers of the happening of any event or the discovery of any facts, each of the kind described in Section 3(e) (v) hereof, such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to a Registration Statement until such

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Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 3(k) hereof, and, if so directed by the Issuers, such Holder will deliver to the Issuers (at its expense) all copies in such Holder's possession, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Transfer Restricted Securities current at the time of receipt of such notice.

In the event that the Issuers fail to use their reasonable best efforts to effect the Exchange Offer or file any Shelf Registration Statement and maintain the effectiveness of any Shelf Registration Statement as provided herein, the Issuers shall not without the consent of the Majority Holders file any Registration Statement with respect to any securities (within the meaning of Section 2(1) of the 1933 Act) of the Issuers other than Transfer Restricted Securities.

If any of the Transfer Restricted Securities covered by any Shelf Registration Statement are to be sold in an underwritten offering, the underwriter or underwriters and manager or managers that will manage such offering will be selected by the Majority Holders of such Transfer Restricted Securities included in such offering and shall be acceptable to the Issuers. No Holder of Transfer Restricted Securities may participate in any underwritten registration hereunder unless such Holder (a) agrees to sell such Holder's Transfer Restricted Securities on the basis provided in any underwriting arrangements approved by the persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, custody agreements, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

#### 4. Indemnification; Contribution

(a) The Issuers agree to indemnify and hold harmless each Initial Purchaser, each Holder, each Participating Broker-Dealer, each Person who participates as an underwriter (any such Person being an "Underwriter") and each Person, if any, who controls any Holder or Underwriter within the meaning of Section 15 of the 1933 Act or Section 15 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment or supplement thereto) pursuant to which Exchange Securities or Transfer Restricted Securities were registered under the 1933 Act, including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or arising out of any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any

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litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 4(d) below) any such settlement is effected with the written consent of the Issuers; and

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by any indemnified party), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under subparagraph (i) or (ii) above;

provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue

statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Issuers by the Holder, Initial Purchaser, Participating Broker-Dealer or Underwriter expressly for use in a Registration Statement (or any amendment thereto) or any Prospectus (or any amendment or supplement thereto). The foregoing indemnity with respect to any untrue statement contained in or any omission from any preliminary Prospectus shall not inure to the benefit of any Holder, Initial Purchaser, Participating Broker-Dealer or Underwriter (or any person controlling any such person) from whom the person asserting such loss, liability, claim, damage or expense purchased Securities that are the subject thereof if (i) the untrue statement or omission contained in such preliminary Prospectus (excluding documents incorporated by reference) was corrected; (ii) such person was not sent or given a copy of the final Prospectus (excluding documents incorporated by reference) which corrected the untrue statement or omission at or prior to the written confirmation of the sale of such Securities to such person; and (iii) the Issuers satisfied their obligation pursuant to Section 3 of this Agreement to provide a sufficient number of copies of the final Prospectus to the Holder, Initial Purchaser, Participating Broker-Dealer or Underwriter.

(b) Each Holder, Initial Purchaser, Participating Broker-Dealer and Underwriter severally, but not jointly, agrees to indemnify and hold harmless the Issuers, the Initial Purchasers, the Participating Broker-Dealers, each Underwriter and the other selling Holders, and each of their respective directors and officers, and each Person, if any, who controls the Issuers, the Participating Broker-Dealers, the Initial Purchasers, any Underwriter or any other selling Holder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, against any and all loss, liability, claim, damage and expense described in the indemnity contained in Section 4(a) hereof, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto) or any Prospectus included therein (or any amendment or supplement thereto) in reliance upon and in conformity with written information with respect to such Holder, Initial Purchaser, Participating Broker-Dealer or Underwriter furnished to the Issuers by such Holder, Initial Purchaser, Participating Broker-Dealer or Underwriter expressly for use in the

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Registration Statement (or any amendment thereto) or such Prospectus (or any amendment or supplement thereto); provided, however, that no such Holder, Initial Purchaser, Participating Broker-Dealer or Underwriter shall be liable for any claims hereunder in excess of the amount of net proceeds received by such Holder, Initial Purchaser, Participating Broker-Dealer or Underwriter from the sale of Transfer Restricted Securities pursuant to such Registration Statement.

(c) Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action or proceeding commenced against it in respect of which indemnity may be sought hereunder, but

failure so to notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. An indemnifying party may participate at its own expense in the defense of such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying party or parties be liable for the fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 4 (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 4(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement. Notwithstanding the immediately preceding sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, an indemnifying party shall not be liable for any settlement of the nature contemplated by Section 4(a)(ii) effected without its consent if such indemnifying party (i) reimburses such indemnified party in accordance with such request to the extent that it considers such request to be reasonable and (ii) provides written notice to the indemnified party substantiating the unpaid balance as unreasonable, in each case prior to the date of such settlement.

(e) (i) If the indemnification provided for in this Section

4(a) is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, in such proportion as is appropriate to reflect the relative fault of the Issuers on the one hand and the Holders and the Initial Purchasers on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

(ii) If the indemnification provided for in this Section 4(b) is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, in such proportion as is appropriate to reflect the relative fault of the such indemnifying party on the one hand and each of the other Holders, Participating Broker-Dealers, Underwriters and the Initial Purchasers and the Issuers on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative fault of the Issuers, the Holders, Participating Broker-Dealers, Underwriters and the Initial Purchasers, as applicable, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Issuers, the Holders, Participating Broker-Dealers, Underwriters and the Initial Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Issuers, the Holders and the Initial Purchasers agree that it would not be just and equitable if contribution pursuant to this Section 4 were determined by pro rata allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 4. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 4 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 4, no Initial Purchaser shall be required to contribute any amount in excess of the amount by which the total price at which the Securities sold by it were offered exceeds the amount of any damages which such initial Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 4, each Person, if any, who controls an Initial Purchaser or Holder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such Initial Purchaser or Holder, and each manager or director of the Issuers, and each Person, if any, who controls the Issuers within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Issuers. The Initial Purchasers' respective obligations to contribute pursuant to this Section 7 are several in proportion to the principal amount of Securities set forth opposite their respective names in Schedule A to the Purchase Agreement and not joint.

## 5. Miscellaneous

5.1. Rule 144 and Rule 144A. For so long as the Issuers are subject to the reporting requirements of Section 13 or 15 of the 1934 Act, the Issuers covenant that they will file the reports required to be filed by them under the 1933 Act and Section 13(a) or 15-(d) of the 1934 Act and the rules and regulations adopted by the SEC thereunder. If the Issuers cease to be so required to file such reports, the Issuers covenant that they will upon the request of any Holder of Transfer Restricted Securities (a) make publicly available such information as is necessary to permit sales pursuant to Rule 144 under the 1933 Act, (b) deliver such information to a prospective purchaser as is necessary to permit sales pursuant to Rule 144A under the 1933 Act and they will take such further action as any Holder of Transfer Restricted Securities may reasonably request, and (c) take such further action that is reasonable in the circumstances, in each case, to the extent required from time to time to enable such Holder to sell its Transfer Restricted Securities without registration under the 1933 Act within the limitation of the exemptions provided by (i) Rule 144 under the 1933 Act, as such Rule may be amended from time to time, (ii) Rule 144A under the 1933 Act, as such Rule may be amended from time to time, or (iii) any similar rules or regulations hereafter adopted by the SEC. Upon the request of any Holder of Transfer Restricted Securities, the Issuers will deliver to such Holder a written statement as to whether they have complied with such requirements.

5.2. No Inconsistent Agreements. The Issuers have not entered into and the Issuers will not after the date of this Agreement enter into any agreement which is inconsistent with the rights granted to the Holders of Transfer Restricted Securities in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not and will

not for the term of this Agreement in any way conflict with the rights granted to the holders of the Issuers' other issued and outstanding securities under any such agreements.

5.3. Participation in Underwritten Registrations. No Holder may participate in any underwritten registration hereunder unless such Holder (a) agrees to sell such Holder's Transfer Restricted Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters,

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custody agreements and other documents required under the terms of such underwriting agreements.

5.4. Amendments and Waivers. The provisions of this Agreement including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless the Issuers have obtained the written consent of Holders of at least a majority in aggregate principal amount of the outstanding Transfer Restricted Securities affected by such amendment, modification, supplement, waiver or departure.

5.5. Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, registered first-class mail, telex, telecopier, or any courier guaranteeing overnight delivery (a) if to a Holder, at the most current address given by such Holder to the Issuers by means of a notice given in accordance with the provisions of this Section 5.4, which address initially is the address set forth in the Purchase Agreement with respect to the Initial Purchasers, with a copy to Latham & Watkins, 633 West Fifth Street, Suite 4000, Los Angeles, California 90071-2007, Attention: Pamela B. Kelly, Esq.; and (b) if to the Issuers, initially at the Issuers' addresses set forth in the Purchase Agreement, and thereafter at such other address of which notice is given in accordance with the provisions of this Section 5.4, with a copy to Skadden, Arps, Slate, Meagher & Flom L.L.P. & Affiliates, 919 Third Avenue, New York, New York, Attention: Wallace Schwartz, Esq.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; two business days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt is acknowledged, if telecopied; and on the next business day if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands, or other communications shall be concurrently delivered by the person giving the same to the Trustee

under the Indenture, at the address specified in such Indenture.

5.6. Successor and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation and without the need for an express assignment, subsequent Holders; provided, however, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Transfer Restricted Securities, in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Transfer Restricted Securities such person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and, if applicable, the Purchase Agreement, and such person shall be entitled to receive the benefits hereof.

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5.7. Third Party Beneficiaries. The Initial Purchasers (even if the Initial Purchasers are not Holders of Transfer Restricted Securities) shall be third party beneficiaries to the agreements made hereunder between the Issuers, on the one hand, and the Holders, on the other hand, and shall have the right to enforce such agreements directly to the extent they deem such enforcement necessary or advisable to protect their rights or the rights of Holders hereunder. Each Holder of Transfer Restricted Securities shall be a third party beneficiary to the agreements made hereunder between the Issuers, on the one hand, and the Initial Purchasers, on the other hand, and shall have the right to enforce such agreements directly to the extent it deems such enforcement necessary or advisable to protect its rights hereunder.

5.8. Specific Enforcement. Without limiting the remedies available to the Initial Purchasers and the Holders, the Issuers acknowledge that any failure by the Issuers to comply with their obligations under Sections 2.1 through 2.4 hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which monetary damages would not be adequate, that it would not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Issuers' obligations under Sections 2.1 through 2.4 hereof.

5.9. Restriction on Resales. Until the expiration of two years after the original issuance of the Securities the Issuers will not, and will cause their "affiliates" (as such term is defined in Rule 144(a)(1) under the 1933 Act) not to, resell any Securities which are "restricted securities" (as such term is defined under Rule 144(a)(3) under the 1933 Act) that have been reacquired by any of them and shall immediately upon any purchase of any such

Securities submit such Securities to the Trustee for cancellation.

5.10. Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

5.11. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

5.12. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAWS THEREOF.

5.13. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

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

ALADDIN GAMING HOLDINGS, LLC

By: /s/ Richard Goeglein

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Name: Richard Goeglein  
Title: Chief Executive Officer/President

ALADDIN CAPITAL CORP.

By: /s/ Richard Goeglein

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Name: Richard Goeglein  
Title: Chief Executive Officer/President

Confirmed and accepted as  
of the date first above  
written:

MERRILL LYNCH, PIERCE, FENNER & SMITH

INCORPORATED  
CREDIT SUISSE FIRST BOSTON CORPORATION  
CIBC OPPENHEIMER CORP.  
SCOTIA CAPITAL MARKETS (USA) INC.

BY: MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED

By: /s/ Gregory Margolies

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Name: Gregory Margolies  
Title: Authorized Signatory

Site Work, Development and Construction Agreement

SITE WORK DEVELOPMENT  
AND CONSTRUCTION AGREEMENT

by and among

ALADDIN GAMING, LLC,  
a Nevada limited liability company

"Aladdin Gaming"

and

ALADDIN HOLDINGS, LLC,  
a Delaware limited liability company

"Holdings"

and

ALADDIN BAZAAR, LLC,  
a Delaware limited liability company

"Bazaar Company"

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SITE WORK DEVELOPMENT  
AND CONSTRUCTION AGREEMENT

THIS SITE WORK DEVELOPMENT AND CONSTRUCTION AGREEMENT ("Agreement") is entered into as of this 26th day of February, 1998, by and among Aladdin Gaming, LLC, a Nevada limited liability company ("Aladdin Gaming"), Aladdin Holdings, LLC, a Delaware limited liability company ("Holdings") and Aladdin Bazaar, LLC, a Delaware limited liability company ("Bazaar Company"), with reference to the following recitals:

#### R E C I T A L S

A. Aladdin Gaming is the owner of that certain real property generally located at 3667 Las Vegas Boulevard South in Clark County, Nevada, which is more particularly described on Exhibit "A-1" attached hereto (the "Site").

B. Pursuant to a lease agreement (the "Bazaar Lease"), Aladdin Gaming will lease to Bazaar Company that portion of the Site more particularly described on Exhibit "A-2" attached hereto (the "Bazaar Site") on which Bazaar Company shall construct an enclosed themed entertainment shopping center consisting of approximately 726,000 square feet of gross building area, including approximately 462,000 retail gross leasable area at particular elevations of the Aladdin Improvements (the "Retail Facility"), as well as a multi-level parking structure for approximately 4,800 motor vehicles, and additional surface-level parking facilities beneath and adjacent to the Retail Facility for approximately 364 motor vehicles (collectively, the "Common Parking Area"), all as shown on the Plans which are described on Exhibit "B" attached hereto. The Retail Facility and the Common Parking Area are hereinafter referred to collectively as the "Bazaar Improvements".

C. On that portion of the Site that does not include the Bazaar Site, the Music Site or the Energy Site (the "Aladdin Site") (more particularly described on Exhibit "A-3" attached hereto), the Aladdin Parties shall demolish or cause to be demolished portions of, and shall renovate, expand and construct or cause to be renovated, expanded and constructed, the hotel-casino commonly known as the "Aladdin Hotel and Casino" containing approximately 2,600 rooms and an approximately 100,000 square foot casino, together with related and physically attached facilities (the "Aladdin Hotel and Casino"), and including parking facilities beneath the Aladdin Hotel and Casino for approximately 500 motor vehicles (collectively, the "Aladdin Parking Area"), all as shown on the Plans. The Aladdin Hotel and Casino and the Aladdin Parking Area are hereinafter referred to collectively as the "Aladdin Improvements".

D. Aladdin Gaming has leased to Energy Company a portion of the Site (the "Energy Site") (more particularly described on Exhibit "A-5" hereto) pursuant to a lease agreement dated as of December 3, 1997, pursuant to which Energy Company is obligated to construct and operate a central energy plant (the "Central Energy Plant") for the cogeneration of electricity, chilled and hot water to the Site and the distribution of electricity, chilled water and hot water to the Site. Pursuant to a lease agreement (the "Music Lease"), Aladdin Gaming has leased to Aladdin Music

approximately 4.75 acres located on the corner of Audrie Street and Harmon

Avenue (the "Music Site") (as more particularly described on Exhibit "A-4" hereto), to permit the construction and operation of a second hotel and casino facility consisting of certain related and physically attached facilities, including a hotel containing approximately 1,000 rooms and an approximately 50,000 square foot casino (the "Music Hotel").

E. The Site currently has certain improvements, including portions of the Aladdin Hotel and Casino, from which asbestos must be removed or abated or which will be demolished, razed and removed (collectively, the "Demolition Work") by the Aladdin Parties pursuant to the terms of this Agreement and as shown on Exhibit "C" hereto. Thereafter, pursuant to the terms hereof, the Site will be prepared by the Aladdin Parties with certain Infrastructure Improvements and related work all as specified in the Site Work Plans (collectively, the "Site Work") so as to then permit the development and construction of the Bazaar Improvements by Bazaar Company and the Aladdin Improvements by the Aladdin Parties. The Bazaar Improvements, the Aladdin Improvements, the Central Energy Plant and the Music Hotel are sometimes hereinafter collectively referred to as the "Redeveloped Aladdin".

F. Holdings has entered into an agreement with the County of Clark, State of Nevada (the "County") dated March 18, 1997 (the "DPW Agreement") which permits Aladdin Gaming and/or its assignees to perform the Demolition Work and a portion of the Site Work prior to the issuance of any building permits.

G. The development, construction and operation of the Redeveloped Aladdin shall be conducted in accordance with and subject to the provisions and requirements of that certain Construction, Operation and Reciprocal Easement Agreement to be entered into concurrently herewith by and among Aladdin Gaming, Aladdin Music, and Bazaar Company, among others (the "REA").

H. The parties to this Agreement desire to set forth their respective rights, duties and obligations with respect to the Demolition Work and the Site Work and their subsequent development and construction obligations with respect to the Redeveloped Aladdin.

NOW, THEREFORE, incorporating and with reference to the foregoing recitals and in consideration of the mutual promises, representations and covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

#### ARTICLE I DEFINITIONS

As used in this Agreement, the following terms shall have the following particular meanings:

Affiliate. "Affiliate" means a Person that Controls, is directly or indirectly Controlled by, or is under common ownership or Control with, another Person. Notwithstanding the foregoing or any other provision of this Agreement to the contrary, Bazaar Company shall not be considered to

be an Affiliate of Aladdin Gaming, Holdings or any Affiliates thereof, and Aladdin Gaming and Holdings shall not be considered to be Affiliates of Bazaar Company or any Affiliates thereof, notwithstanding the fact that an Affiliate of Aladdin Gaming and Holdings holds a fifty percent (50%) membership interest in Bazaar Company.

Agreement. "Agreement" means this Site Work Development and Construction Agreement, as amended from time to time.

Aladdin Gaming. "Aladdin Gaming" is defined in the introductory paragraph of this Agreement.

Aladdin Hotel and Casino. "Aladdin Hotel and Casino" is defined in Recital C of this Agreement.

Aladdin Improvements. "Aladdin Improvements" is defined in Recital C of this Agreement and includes the Buildings, Separate Utility Lines, Common Utility Lines and truck loading docks and access areas, turn-around and loading/delivery areas, storage racks, delivery elevators and related facilities, constructed and installed on the Aladdin Site, including any present or future construction or alteration thereof from time to time.

Aladdin Music. "Aladdin Music" means Aladdin Music, LLC, a Nevada limited liability company.

Aladdin Parking Area. "Aladdin Parking Area" is defined in Recital C of this Agreement and shall mean that portion of the Aladdin Improvements for the shared use of the Redeveloped Aladdin and all of its Permittees in connection with the parking, passage and loading of motor vehicles, together with related improvements which are at any time constructed in connection therewith, including driveways, pedestrian sidewalks, walkways and stairways, escalators, elevators, light standards, directional signs, curbs and landscaping within and adjacent to areas used for such shared parking, passage and loading, underneath the Aladdin Hotel and Casino for the use of the Aladdin Parties and their respective Permittees, in each case and to the extent indicated on Exhibit "B".

Aladdin Parties. "Aladdin Parties" shall mean, collectively, Aladdin Gaming and Holdings, each of which shall be jointly and severally liable for the obligations and responsibilities of the other hereunder.

Aladdin Plans. "Aladdin Plans" is defined in Section 3.2(a) of this Agreement.

Aladdin Site. "Aladdin Site" is defined in Recital C of this Agreement.

Bazaar Company. "Bazaar Company" is defined in the introductory paragraph

of this Agreement.

Bazaar Improvements. "Bazaar Improvements" is defined in Recital B of this Agreement and includes the Buildings, Separate Utility Lines, Common Utility Lines and truck loading docks

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and access areas, turn-around and loading/delivery areas, storage racks, delivery elevators and related facilities, constructed and installed on the Bazaar Site, including any present or future construction or alteration thereof from time to time.

Bazaar Lease. "Bazaar Lease" is defined in Recital B of this Agreement, and includes any amendments thereof from time to time.

Bazaar Plans. "Bazaar Plans" is defined in Section 3.1(a) of this Agreement.

Bazaar Site. "Bazaar Site" is defined in Recital B of this Agreement.

Building. "Building" shall mean all portions of the buildings and structures, as altered or restored, that exist or are constructed from time to time on a party's Tract, including the Shell and Facade.

Central Energy Plant. "Central Energy Plant" is defined in Recital D of this Agreement and shall mean that facility by and through which the Energy Company will generate and distribute electricity, hot water and chilled water sufficient to service the power, heating, ventilating and air conditioning requirements of the Redeveloped Aladdin pursuant to the Energy Company Agreement.

CIP. "CIP" shall mean the "Controlled Insurance Program" as defined and set forth in the Design/Build Contract.

Claim. "Claim" is defined in Section 4.3(a) of this Agreement.

Common Parking Area. "Common Parking Area" is defined in Recital B of this Agreement and shall mean that portion of the Bazaar Improvements for the shared use of the Redeveloped Aladdin and all of its Permittees in connection with the parking, passage and loading of motor vehicles, together with related improvements which are at any time constructed in connection therewith including driveways, pedestrian sidewalks, walkways and stairways, escalators, elevators, light standards, directional signs, curbs and landscaping within and adjacent to areas used for such shared parking, passage and loading, in each case to the extent indicated on Exhibit "B".

Common Utility Lines. "Common Utility Lines" shall mean all utility lines, connections and facilities or portions thereof that extend to a particular point

of delivery to a particular Tract designated on the Plans attached hereto as Exhibit "B", installed for the common use and benefit of all Buildings and Tracts comprising the Redeveloped Aladdin for the transmission of domestic water, fire protection water, storm drainage, and sanitary sewage, which the Aladdin Parties shall install pursuant to this Agreement and which shall be maintained, repaired and restored as set forth in the REA.

Concerned Party, Concerned Parties. "Concerned Party" and "Concerned Parties" are defined in Section 8.1(a) of this Agreement.

Construction Schedule. "Construction Schedule" shall mean that time schedule in reasonable

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detail attached hereto as Schedule 1 (as amended from time to time pursuant hereto) indicating certain key, threshold dates for the construction and completion of the Demolition Work, Site Work, the Bazaar Improvements, the Aladdin Improvements, the Music Hotel, and the Central Energy Plant, including the First Scheduled Opening Date and the Second Scheduled Opening Date, and

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changes to which and further refinements of which the parties must agree in accordance with Section 3.4 of this Agreement.

Control. "Control" shall mean ownership of a Person or party in excess of 50% and/or the power, exercisable jointly or severally, to manage and direct a Person through the direct or indirect ownership of partnership interest, stock, trust powers, or other beneficial interests and/or management or voting rights.

County. "County" is defined in Recital F of this Agreement.

Cure. At such time as a Person is in Default and has received a demand for correction of such Default, such Person and its Mortgagee shall be permitted thirty (30) days or such other amount of time specified herein within which to render remedial performance sufficient to correct said Default, which correction shall be a "Cure." Whenever a Default is not capable of Cure within the specified period, a Defaulting Party (or its Mortgagee) shall be deemed to have Cured the Default if it shall have commenced Cure within the specified time period and shall have prosecuted and pursued the Cure continuously and diligently thereafter to completion.

Default, Defaulting Party. "Default" shall mean a party's breach or violation of any of covenants, terms or obligations set forth in this Agreement. "Defaulting Party" shall mean the party in Default.

Demolition Work. "Demolition Work" is defined in Recital E of this

Agreement.

Design/Build Contract. "Design/Build Contract" shall mean that certain Contract between Aladdin Gaming and Fluor Daniel, Inc. for Design/Build Services dated as of December 4, 1997.

Dispute. "Dispute" is defined in Section 8.1(a) of this Agreement.

Dispute Resolution Procedures. "Dispute Resolution Procedures" means those procedures for resolving disputes among the parties set forth in Article VIII of this Agreement.

DPW Agreement. "DPW Agreement" is defined in Recital F of this Agreement.

Energy Company. "Energy Company" means Northwind Las Vegas, LLC, a Nevada limited liability company.

Energy Company Agreement. "Energy Company Agreement" shall have the meaning ascribed to it in the REA.

Energy Company Utility Lines. "Energy Company Utility Lines" shall mean all utility lines, connections and facilities or portions thereof that extend to a particular point of delivery to a particular Tract designated on the Plans attached hereto as Exhibit "B", installed for the common use and benefit of all Buildings and Tracts comprising the Redeveloped Aladdin for the transmission of chilled water, hot water and electricity, which shall be installed and maintained by the Energy

Company pursuant to the Energy Company Agreement.

Energy Site. "Energy Site" is defined in Recital D of this Agreement.

Excuse. "Excuse" means (a) the occurrence of an event of force majeure pursuant to Article IX that interferes with a party's ability to perform its obligations under this Agreement, or (b) the Default of the other party with respect to its construction or restoration covenants set forth herein and in the REA, to the extent that such Default interferes with a non-Defaulting Party's ability to perform its obligations under this Agreement, which force majeure event or which Default shall result in the temporary relief of the interfered-with or non-Defaulting Party (as applicable) from its duty to construct or restore, as applicable, for so long as such force majeure event continues or such Defaulting Party has not Cured its Default.

Facade. "Facade" shall mean the facia or front portions of the Buildings constituting the Aladdin Hotel and Casino that face Las Vegas Boulevard, as more specifically described in the Plans attached hereto as Exhibit "B".

First Scheduled Opening Date. "First Scheduled Opening Date" shall mean the date by which the Aladdin Improvements and the Bazaar Improvements are scheduled to be first opened for business to the public, which shall mean that (a) all certificates of occupancy for the Aladdin Hotel and Casino, the Common Parking Area, the Aladdin Parking Area, the Retail Facility and the Central Energy Plant shall have been issued by the County, (b) with respect to the Aladdin Hotel and Casino, all design and construction work in the casino has been substantially completed, the casino is fully operational, substantially all Salle Privee Facilities are open, and substantially all of the public areas (other than convention and meeting rooms) of the Aladdin Hotel and Casino are open; (c) the Common Parking Area and the Aladdin Parking Area are fully operational; (d) with respect to the Retail Facility, all of Bazaar Company's design and construction work in the Retail Facility, including substantially all of the public areas, has been substantially completed and the same is open; and (e) the Central Energy Plant is fully operational or utilities are available for use by the parties from an alternative source. The First Scheduled Opening Date shall be set forth in the Construction Schedule. Notwithstanding this fact, thirteen (13) months prior to the date set forth in the Construction Schedule, the parties hereto, in their reasonable discretion, shall confirm and establish the First Scheduled Opening Date and thereafter, subject only to an Excuse, the First Scheduled Opening Date shall not be changed unless all parties, each in its sole and absolute discretion, agrees to such change.

Indemnitor. "Indemnitor" is defined in Section 4.3(a) of this Agreement.

Infrastructure Improvements. "Infrastructure Improvements" means those off-site and on-site infrastructure improvements as more specifically described on the Site Work Plans attached as Exhibit "D" installed, made, constructed, restored or relocated by the Aladdin Parties in order to prepare the Site for the development and construction of the Redeveloped Aladdin, and for ongoing operation as required by the DPW Agreement, the Traffic Study and the County, including, without limitation, grading, pad preparation, streets (including, without limitation, the realignment of Harmon Avenue, if and to the extent the County requires the completion of such realignment),

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roadways, driveways, walkways, sidewalks, curbs, bridges, turning lanes, traffic control devices, traffic signals, traffic mitigation measures, water drainage and flood control mitigation measures, street lights, driveway and walkway lights, Building lights (including lighting and ceilings that are underneath the Retail Facility), signage, landscaping, pedestrian bridges, tunnels and overpasses and preparation for the installation of utilities.

LLC Agreement. "LLC Agreement" shall mean that certain Limited Liability Company Agreement of Bazaar Company dated September 3, 1997, by and between TH Bazaar Centers, Inc., a Delaware corporation, and Aladdin Bazaar Holdings, LLC, a Nevada limited liability company, as amended on October 16, 1997, and from time to time.

Mortgage; Mortgagor; Mortgagee. "Mortgage" shall mean an indenture of mortgage, deed of trust encumbering all or a portion of the interest of a party ("Mortgagor") in its Tract. "Mortgagee" shall mean either the trustee and beneficiary/mortgagee, individually or collectively as appropriate, under a Mortgage.

Music Hotel. "Music Hotel" is defined in Recital D of this Agreement.

Music Lease. "Music Lease" is defined in Recital D of this Agreement.

Music Site. "Music Site" is defined in Recital D of this Agreement.

NRS. "NRS" means the Nevada Revised Statutes, as currently in effect and as amended from time to time.

Permits. "Permits" means those approvals, licenses, permits, variances, entitlements and certificates of occupancy relating to or required for the Demolition Work, the Site Work and the construction of the Aladdin Improvements and the Bazaar Improvements, as the case may be, including but not limited to those set forth on Schedule 2 hereto, which shall be obtained by the Aladdin Parties or Bazaar Company (with respect to the Bazaar Improvements), as appropriate, at such parties' sole cost and expense.

Permittee. "Permittee" shall mean any Person from time to time entitled by the parties hereto to use, occupy or visit the Redeveloped Aladdin under any lease, sublease, deed or other instrument or arrangement, and its respective officers, directors, employees, representatives, agents, partners, members, managers, agents, architects, engineers, contractors, customers, visitors, invitees, tenants, subtenants, licenses and concessionaires, including, without limitation, the Project Architect/Engineer and the Project Contractor and their authorized agents and employees.

Person. "Person" shall mean an individual, fiduciary, trust, partnership, limited-liability company, firm, association and corporation, or any other form of business or governmental entity.

Plans. "Plans" shall mean collectively, the Aladdin Plans and the Bazaar Plans described on Exhibit "B" attached hereto, which shall be those certain drawings and plans to include schematics, preliminary and working drawings, designs, specifications, criteria and progress reports, as amended

and revised from time to time (including during construction), with respect to the design, development and construction of the Aladdin Improvements and the Bazaar Improvements, which changes must be approved by the parties in accordance with Sections 3.1 and 3.2 of this Agreement and by the County in connection with the issuance of building permits and certificates of occupancy. The parties

understand that the Plans shall be in final "as-built" form only at or after the completion of all work thereunder. The Plans shall include and reflect, without limitation, all plans and specifications for Buildings, Utility Lines, exterior and accent lighting, vehicle and pedestrian access, setback requirements, and the like.

Pro Forma Budget. "Pro Forma Budget" shall mean that certain pro forma budget attached hereto as Schedule 3 prepared by the Aladdin Parties identifying the costs to be incurred by the Aladdin Parties for the Site Work.

Project Architect/Engineer. "Project Architect/Engineer" shall have the meaning ascribed to it in the REA.

Project Contractor. "Project Contractor" shall have the meaning ascribed to it in the REA.

REA. "REA" is defined in Recital G of this Agreement.

Redeveloped Aladdin. "Redeveloped Aladdin" is defined in Recital E of this Agreement.

Reimbursement Obligation. "Reimbursement Obligation" is defined in Section 4.5(a) of this Agreement.

Retail Facility. "Retail Facility" is defined in Recital B of this Agreement.

Salle Privee Facilities. "Salle Privee Facilities" shall mean that separate 15,000 square foot luxurious gaming section of the Aladdin Hotel and Casino operated by London Clubs which is intended to cater to wealthy clientele.

Second Scheduled Opening Date. "Second Scheduled Opening Date" shall mean that date by which the Music Hotel is scheduled to be first opened for business to the public, which shall mean that (a) all certificates of occupancy for the Music Hotel shall have been issued by the County, and (b) all design and construction work in the casino area of the Music Hotel has been completed, the casino is fully operational and guest rooms are ready to be occupied by guests. The Second Scheduled Opening Date shall in no event be later than the later of (i) six (6) months after the First Scheduled Opening Date and (ii) November 1, 2000.

Separate Utility Lines. "Separate Utility Lines" shall mean all utility lines, connections and facilities or portions thereof that extend to a particular point of delivery to a particular Tract designated on the Plans attached hereto as Exhibit "B", installed for the sole and exclusive use and benefit of any Buildings, Tracts or portions thereof comprising the Redeveloped Aladdin for the transmission of electrical power, natural gas, chilled water, hot water, domestic water, fire protection water, storm drainage, sanitary sewage, telephone service, cable television service, and other

telecommunication services, which the party requiring and benefitting from the use of such Separate Utility Lines shall install, and which shall be maintained, repaired and restored as set forth in the REA.

Shell. "Shell" shall mean the Buildings without interior finish that will constitute the Retail Facility and the Aladdin Hotel and Casino, built by the Project Contractor, as more specifically described on Exhibit "B".

Site. "Site" is defined in Recital A of this Agreement.

Site Work. "Site Work" is defined in Recital E of this Agreement and is shown on the Site Work Plans, and includes all Infrastructure Improvements, as well as the installation and construction of all above- and below-ground footings, girders, columns, braces, load-bearing walls, foundations and standard structural support elements necessary for the construction, support, structural integrity, enclosure and operation of Buildings and other improvements constituting the Redeveloped Aladdin except for the Music Hotel and the Central Energy Plant, and any replacement, substitution or modification thereof, all of which shall be designed, installed and constructed by the Aladdin Parties, at their sole cost and expense.

Site Work Plans. "Site Work Plans" shall mean those certain drawings and plans to include schematics, preliminary and working drawings, designs, specifications, criteria and progress reports, as amended and revised from time to time (including during the Site Work in accordance with Section 2.2 hereof), with respect to the Site Work, described on Exhibit "D" hereto, and shall include and reflect, without limitation, easements for the installation, use, maintenance, repair, replacement, relocation, restoration and/or removal of all Site Work.

Tract. "Tract" shall mean the Buildings, land and/or air space comprising the Bazaar Site, the Music Site, the Energy Site or the Aladdin Site, as applicable, together with all other improvements of a party now or hereafter located thereon.

Traffic Study. "Traffic Study" means the traffic impact mitigation plan approved by the Board of County Commissioners of the County with respect to the Redeveloped Aladdin.

Utility Lines. "Utility Lines" shall mean all Common Utility Lines, Separate Utility Lines and Utility Company Utility Lines.

## ARTICLE II DEMOLITION WORK AND SITE WORK

2.1 Performance of Demolition Work. Following the issuance of all Permits, including those identified on Schedule 2, as are required to perform the

Demolition Work, the Aladdin Parties, at their sole cost and expense, shall commence the Demolition Work and shall complete same in accordance with the Construction Schedule.

## 2.2 Site Work Approvals.

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(a) The most current Site Work Plans are identified on Exhibit "D". The Aladdin Parties, at their sole cost and expense, shall prepare or cause to be prepared and shall provide Bazaar Company with copies of all revised Site Work Plans as soon as prepared by the Project Architect/Engineer and in no event on less than a monthly basis after the date of this Agreement until the completion of the Site Work. The Site Work Plans and all revised Site Work Plans (which shall clearly identify all changes from the previously approved Site Work Plans) shall be subject to the process and time period for approval each month that is set forth in Section 3.1 of the REA.

(b) If Bazaar Company objects to the Site Work Plans and the parties are unable to resolve their differences in accordance with the procedures and within the time period contained in Section 3.1 of the REA, any party may thereafter initiate the Dispute Resolution Procedures. The Aladdin Parties shall not undertake any Site Work unless same is set forth on Site Work Plans which have been approved or deemed approved by Bazaar Company pursuant to this Section 2.2

(c) The Aladdin Parties, at their sole cost and expense (subject only to the Reimbursement Obligation), shall proceed with and diligently prosecute to completion the Site Work in conformance with the approved Site Work Plans and in accordance with the Construction Schedule.

## ARTICLE III CONSTRUCTION OF IMPROVEMENTS

### 3.1 Bazaar Plans and Improvements.

(a) In accordance with the Construction Schedule, Bazaar Company, at its sole cost and expense, shall prepare or cause to be prepared, and shall provide to the Aladdin Parties for review as soon as prepared by the Project Architect/Engineer and in no event on less than a monthly basis until the completion of construction of the Bazaar Improvements, the Plans to be used to construct the Bazaar Improvements (the "Bazaar Plans"). The Bazaar Plans shall be attached to this Agreement as Exhibit "B-1". The process for approval of the Bazaar Plans shall be that set forth in the LLC Agreement and in the REA.

(b) Subject to the conditions precedent set forth in Section 3.3 hereof and in accordance with the Construction Schedule, Bazaar Company, at its sole cost and expense, shall proceed with the construction of the Bazaar Improvements and shall diligently prosecute to completion same in conformance

with the Bazaar Plans and the Construction Schedule.

### 3.2 Aladdin Plans and Improvements.

(a) In accordance with the Construction Schedule, the Aladdin Parties, at their sole cost and expense, shall prepare or cause to be prepared and shall provide Bazaar Company with copies of all Plans used to construct the Aladdin Improvements (the "Aladdin Plans") as soon as prepared by the Project Architect/Engineer and in no event on less than a monthly basis until the completion of construction of the Aladdin Improvements. The Aladdin Plans shall be attached to this Agreement as Exhibit "B-2". The process and time period for approval of the Aladdin Plans

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shall be that set forth in Section 3.1 of the REA.

(b) If Bazaar Company objects to the Aladdin Plans and the parties are unable to resolve their differences in accordance with the procedures and within the time period contained in Section 3.1 of the REA, any party may thereafter initiate the Dispute Resolution Procedures.

(c) Subject to the conditions precedent set forth in Section 3.3 hereof and in accordance with the Construction Schedule, the Aladdin Parties, at their sole cost and expense, shall proceed with the construction of the Aladdin Improvements and shall diligently prosecute to completion same in conformance with the Aladdin Plans and the Construction Schedule.

### 3.3 Conditions Precedent.

(a) Bazaar Company's obligations to begin construction of the improvements for which it is responsible pursuant to Sections 3.1 and 3.2 above shall be subject to satisfaction of the following conditions:

(i) The Demolition Work and the Site Work (or that portion thereof which is necessary to construct the Bazaar Improvements) shall have been completed in the manner described herein; and

(ii) The closing of the construction financing for the Bazaar Improvements.

(b) The Aladdin Parties' obligations to begin construction of the improvements for which they are responsible pursuant to Sections 3.1 and 3.2 above shall be subject to the closing of the construction financing for the Aladdin Improvements.

3.4 Approval of Construction Schedule. The Aladdin Parties and Bazaar Company have mutually agreed upon the Construction Schedule attached hereto, although they anticipate that the Construction Schedule will be periodically

revised and updated. Except as otherwise provided herein (in particular, with respect to the determination of the First Scheduled Opening Date), any material changes to the Construction Schedule must be approved by both the Aladdin Parties and Bazaar Company, in their reasonable discretion. If the parties cannot mutually agree to any such material change to the Construction Schedule proposed by a party then the parties shall adhere to the then existing Construction Schedule (subject to the force majeure provisions of Article IX).

ARTICLE IV  
CONSTRUCTION OBLIGATIONS  
AND COVENANTS

4.1 Construction Standards. In addition to the other obligations of the parties hereunder, the parties hereby covenant and agree that:

(a) The standard of quality of development for the Aladdin Hotel and Casino (as

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of the First Scheduled Opening Date) shall be equal to or better than the general quality (as of the date of this Agreement) of the Mirage Hotel and Casino (the "Mirage"), as to the Aladdin Hotel and Casino, including but not limited to interior finish, theming and attraction package, and standard hotel rooms, with a higher percentage of suites and king parlors. Such standards are intended to attract as a primary target the upper middle market segment, with an ambiance equal to or better than Bally's Casino and Hotel and the Mirage. Upon the First Scheduled Opening Date, the Aladdin Hotel and Casino is intended to be one of the top five hotel/casinos on the Las Vegas Strip, taking into consideration for such purposes the hotels existing and/or announced as of the date hereof in terms of market segment, average daily room rate and overall ambiance and market perception. Bazaar Company acknowledges that such standards are not intended to be a guaranty of the economic performance of the Aladdin Hotel and Casino and no party shall have any liability under this Agreement with respect to such economic performance. The standard of quality of development for the Retail Facility (as of the First Scheduled Opening Date) shall be equal to or better than the general quality of the Forum Shops (as of the date of this Agreement).

(b) All work shall be performed in a good and workmanlike manner, and in accordance with good construction practice in the manner customary for such improvements, and (i) in substantial compliance with the Site Work Plans and the Aladdin Plans and Bazaar Plans, as applicable, approved pursuant hereto, unless otherwise approved in writing by Bazaar Company with respect to the Aladdin Plans or by the Aladdin Parties with respect to the Bazaar Plans, (ii) in strict compliance with all applicable laws, ordinances, orders, rules, regulations, requirements of all federal, state and municipal governments and the appropriate departments, commissions, boards and officers thereof and all Permits, and (iii) in strict compliance with all covenants, conditions and

restrictions affecting the Site, including the covenants of any Mortgage on any Tract or the Site and of the REA, or the requirements of any Mortgagee or insurer.

(c) Subject to the force majeure provisions set forth in Article IX below, the parties shall prosecute and pursue the work for which they are responsible hereunder with reasonable dispatch and diligence and without unreasonable delay and in strict compliance with the Construction Schedule, using commercially reasonable efforts to, (i) in the case of the Aladdin Parties, (A) complete construction of the Aladdin Hotel and Casino and the Aladdin Parking Area by the First Scheduled Opening Date, (B) enter into an agreement to cause the completion of the construction of the Music Hotel by the Second Scheduled Opening Date, and (C) if the Central Energy Plant is not operational by the First Scheduled Opening Date, cause utilities to be provided to the Site from alternative energy sources, and, (ii) in the case of Bazaar Company, complete construction of the Retail Facility and the Common Parking Area by the First Scheduled Opening Date.

(d) The Project Architect/Engineer and Project Contractor shall be engaged under separate written contracts with the Aladdin Parties and Bazaar Company, each reasonably satisfactory to the other. Regardless of whether the Project Architect/Engineer or Project Contractor is working on any improvements in a particular Tract, with respect to its own construction obligations, such party shall use all reasonable efforts to cooperate with the Project Architect/Engineer and the Project Contractor to coordinate the construction plans and activities on that Tract with the construction plans and activities of the other parties in order to achieve the

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objectives set forth herein.

(e) Subject to Article III hereof, in order to achieve the objectives set forth in Section 4.1(a) above and to present to the public a coherent, consistent and polished finished product, each party hereto shall use all reasonable efforts to cooperate and coordinate with the other parties hereto with respect to the design and construction of all interior and exterior theming, finishes and attractions.

(f) Each of the Aladdin Parties and Bazaar Company shall cooperate with one another in their respective efforts to apply for and obtain the Permits required for their respective obligations hereunder, at no expense or liability to the other.

(g) Each of the Aladdin Parties and Bazaar Company agrees that it shall not (and that it shall cause its Permittees to not) (i) unreasonably interrupt or interfere with the work conducted by any other party at the Site; (ii) cause any material increase in the cost of construction on another party's Tract, or (iii), interfere unreasonably with the use, occupancy or enjoyment of

another party's Tract, or any part thereof.

(h) Each of the Aladdin Parties and Bazaar Company, as applicable, shall provide written notice to the other at least ten (10) business days in advance of the commencement of the Demolition Work, the Site Work and the construction of the Aladdin Improvements and the Bazaar Improvements, as applicable, or any other construction, alteration or repair contemplated by NRS ss.108.234, so as to afford the Aladdin Parties and Bazaar Company an opportunity to file appropriate notices of non-responsibility.

(i) If either the Aladdin Parties or Bazaar Company is required by its Mortgagee to obtain, or otherwise elects to require its Project Contractor to obtain, payment and/or completion bonds in connection with the improvements constructed by such party, then such party shall request that Bazaar Company or the Aladdin Parties, as applicable, be named as an obligee under such bonds, except that the rights of the other party hereto shall be subordinate to the Mortgagee's rights and the rights of the party obtaining such bond.

4.2 Insurance. Throughout the term of this Agreement, each party shall maintain such insurance as is required by the REA and their respective Mortgagees.

4.3 Indemnification. Each of the Aladdin Parties and Bazaar Company ("Indemnitor") shall at all times indemnify, hold harmless, protect and defend, the other parties hereto, including their Affiliates and their respective officers, directors, partners, members, managers, stockholders, landlords, agents, representatives, consultants, servants and employees, and their Tracts, as applicable (individually and collectively, "Indemnitee"), from and against all losses, claims, actions, liens, proceedings, liabilities, damages, costs and/or expenses, including the Indemnitee's reasonable attorneys' fees but excluding consequential damages (collectively, a "Claim") resulting from such Indemnitor's operation, use or ownership of its Tract or arising from any event occurring on its Tract arising under this Agreement, to the extent not resulting from the gross negligence or willful misconduct of that Indemnitee.

4.4 Waiver of Subrogation. Each Indemnitor covenants that it will, if generally available in the insurance industry, obtain for the benefit of the Indemnitee a waiver of any right of subrogation which the insurer of Indemnitor may acquire against Indemnitee by virtue of the payment of any loss covered by insurance. In the event any Indemnitor is by law, statute or governmental regulation unable to obtain a waiver of the right of subrogation for the benefit of Indemnitee, then, during any period of time when such waiver is unobtainable, Indemnitor shall not have been deemed to have released any subrogated claim of its insurance carrier against Indemnitee, and during the same period of time Indemnitee shall be deemed not to have released Indemnitor from

any claims it or its insurance carrier may assert which otherwise would have been released pursuant to this Section.

#### 4.5 Reimbursement Obligations.

(a) Bazaar Company shall reimburse the Aladdin Parties for the costs associated with (i) the construction of the structural shoulder area of the Shell shared by the Retail Facility and the Aladdin Hotel and Casino in the amount of Twelve Million Seven Hundred Fifty Thousand Dollars (\$12,750,000), (ii) the construction of the Facade in the amount of Eight Hundred Fifty Thousand Dollars (\$850,000), and (iii) Bazaar Company's pro rata share of the financing costs incurred by the Aladdin Parties, as reasonably determined by Bazaar Company and the Aladdin Parties, in connection with the costs set forth in clauses (i) and (ii) above (the "Reimbursement Obligation"). Assuming all of the work described in clauses (i) and (ii) has been completed in accordance with the requirements of the Design/Build Contract, Bazaar Company shall pay the Reimbursement Obligation immediately upon its first draw under its construction financing. If such work has not been completed at the time of Bazaar Company's first draw and Bazaar Company's construction lender permits such partial reimbursements to be funded under its construction draws, the Reimbursement Obligation shall be paid in proportion to the work completed, as reasonably determined by Bazaar Company's construction lender. If Bazaar Company's construction lender does not permit partial reimbursement to be funded, the reimbursement obligation shall be paid in a lump sum upon completion of the applicable work.

(b) Notwithstanding that certain Letter of Intent signed by the parties as of February 26, 1997, Bazaar Company and the Aladdin Parties shall have no reimbursement obligations one to the other with respect to the construction of the Aladdin Improvements and the Bazaar Improvements except as set forth in this Agreement, the REA and the Common Parking Area Use Agreement. Notwithstanding anything to the contrary contained in this Agreement, in no event shall Bazaar Company be obligated to spend more than Thirty Six Million Dollars (\$36,000,000) attributable to the design and construction of the Common Parking Area, and any excess costs shall be paid by the Aladdin Parties.

#### 4.6 Remedies and Self-Help Cure.

(a) If any party fails to perform any of its duties or obligations under Article III with respect to the construction of the Common Parking Area and such failure involves missing a milestone on a critical path of the Construction Schedule, or if any party fails to perform any of its duties or obligations under this Article IV with respect to the maintenance and operation of Common Areas (as that term is defined in the REA), or if the Aladdin Parties fail to complete the construction of the structural shoulder area of the Shell shared by the Retail Facility and the Aladdin Hotel and Casino, any other party shall have those self-help cure rights set forth in Section 3.11 of the REA.

(b) If there is a Default by Bazaar Company hereunder with respect to its Reimbursement Obligation, the other party shall have those rights set forth on Exhibit "E" hereto.

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ARTICLES V and VI  
[INTENTIONALLY DELETED]

ARTICLE VII  
EXERCISE OF APPROVAL RIGHTS

7.1 Wherever in this Agreement, the approval or consent of any party is required, and unless a different time limit is provided herein (in which event such different time limit shall control), such approval or disapproval shall be given within twenty (20) days following the receipt of the item to be so approved or disapproved or the same shall be conclusively deemed to have been approved by such party, subject to the provisions of this Article. Such approval, or disapproval, shall be given in writing, and such approval shall not be unreasonably withheld, unless the provisions of this Agreement with respect to the particular consent or approval shall expressly provide that the same may be given or refused in the sole and absolute judgment or discretion of such party. Any disapproval shall specify with particularity the reasons therefor; provided, however, that wherever in this Agreement any party is given the right to approve or disapprove in its sole and absolute judgment or discretion, such party may disapprove without specifying a reason therefor and its disapproval shall not be subject to contest in any judicial, administrative, arbitration or other proceeding.

7.2 A party requesting approval shall send such request in a writing setting forth the applicable time period, pursuant to Section 7.1 hereof, within which such party must act or otherwise respond. If the time specified in the notice is incorrectly set forth or omitted, the time limit shall be thirty (30) days unless a longer time period is specified in this Agreement, in which case the longer time period shall control. Failure to specify such time period shall not invalidate such notice but shall instead require the action of such party within said thirty (30) day period or such longer period.

7.3 Any request for the consent or approval of any party shall refer to the proper section numbers of this Agreement to which the request relates, properly state the time period permitted hereunder for approval, and state that the document, or the facts contained therein, shall be deemed approved or consented to by the recipient unless the recipient objects thereto within the required time period specified in such notice. Notwithstanding anything to the contrary contained in this Agreement, no recipient's approval of or consent to the subject matter of a notice shall be deemed to have been given by its failure to object thereto if such notice (or the accompanying cover letter) did not properly refer to the applicable section of this Agreement and properly state

the time period permitted hereunder for approval.

ARTICLE VIII  
DISPUTE RESOLUTION PROCEDURES

8.1 Arbitration.

(a) The parties hereunder agree that if they are unable in good faith to resolve any dispute or disagreement arising under or pursuant to this Agreement, including any dispute or disagreement about the interpretation or application of any provision hereof (collectively, a

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"Dispute"), but not including any Default or claim of Default thereunder (which shall be resolved before a court of law), any party to the Dispute (a "Concerned Party" and together with the other parties to the Dispute, the "Concerned Parties") shall demand binding arbitration before the American Arbitration Association ("AAA") in Las Vegas, Nevada, by so notifying all other Concerned Parties and the AAA.

(b) In a Dispute between Bazaar Company, on the one hand, and the Aladdin Parties, on the other hand, the Aladdin Parties and all Affiliates thereof shall collectively be considered a single Concerned Party. A Permitted Transferee shall not be considered a single Concerned Party with the Aladdin Parties.

(c) Within three (3) days of a demand for arbitration of a Dispute hereunder, in accordance with the rules and guidelines of the AAA, the Aladdin Parties and Bazaar Company shall mutually agree upon one arbitrator (and two alternate arbitrators) to hear the Dispute and the demanding party shall immediately notify such arbitrator of his or her appointment. If an arbitrator is unavailable to hear the Dispute, the demanding party shall notify the alternate(s). If the parties cannot mutually agree upon an arbitrator, the demanding party shall promptly apply to the Eighth Judicial District Court of Nevada for the appointment of an arbitrator in accordance with the provisions of NRS Chapter 38. The arbitration shall take place at the offices of the AAA or at such other location to which the Concerned Parties agree in Las Vegas, Nevada. To the extent possible, the appointed arbitrator shall commence the arbitration hearing on the Dispute within three (3) days of his or her appointment and the hearing shall be conducted on consecutive days, including Saturdays and Sundays (but excluding holidays), until the completion of the hearing. In connection with any arbitration proceedings commenced hereunder, no Concerned Party shall have the right to join any third parties not a party to this Agreement other than the Project Architect/Engineer and the Project Contractor, except by written consent containing a specific reference to this Agreement signed by all Concerned Parties and the other Person sought to be joined. The decision of the arbitrator shall be final and binding on, as well as nonappealable by, the Concerned Parties. The arbitrator shall determine the award as promptly as

possible after the arbitration hearing has been completed, and if at all possible not later than three (3) days after the completion of the hearing. The award of the arbitrator shall be written and signed by the arbitrator and shall be served on each Concerned Party in the manner provided in Article 10.2.

(d) The award of the arbitrator may be entered as a judgment in a court of competent jurisdiction. To the extent permitted by law, compliance with this Article VIII by a Concerned Party is a condition precedent to the commencement by any Concerned Party of a judicial proceeding arising out of a Dispute.

(e) If any of the provisions relating to arbitration are not adhered to or complied with, any party may petition the Eighth Judicial District Court of the State of Nevada for appropriate relief in accordance with the provisions of NRS Chapter 38.

8.3 Fees and Costs. The prevailing party in a Dispute shall be entitled to recover from the non-prevailing party its reasonable fees and costs, including attorneys' fees and other reasonable expenses, as fixed by the arbitrator, in his or her discretion.

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#### ARTICLE IX FORCE MAJEURE

9.1 Force Majeure. Except as otherwise expressly provided herein to the contrary, each party shall be Excused from its duty to perform any covenant or obligation hereunder, except an obligation to pay any sums of money not expressly conditioned on any party's performance of a covenant or obligation that has itself been Excused by this Section, in the event but only so long as the performance of any such covenant or obligation is prevented, delayed, retarded or hindered by any of the following: an act of God, fire, earthquake, flood, explosion, action of the elements, war, invasion, insurrection, riot, mob violence, sabotage, inability to procure or general shortage of labor, equipment, facilities, materials or supplies in the open market, failure of transportation, strikes, lockouts, action of labor unions, condemnation, requisition, laws, orders of governmental or civil or military or naval authorities, or any other cause, whether similar or dissimilar to the foregoing, not within the respective control of such party (other than the lack or inability to procure funds to fulfill its covenants and obligations provided in this Agreement), including the timely performance of any party (other than such party) of its respective obligations under the DPW Agreement and the REA.

9.2 Notice. In the event any party claims an Excuse from its duty to perform any covenant or obligation set forth in this Agreement due to any of the events of force majeure set forth in Section 9.1, such party shall notify the

other party of the occurrence of such event of force majeure within ten (10) days following the occurrence thereof. The provisions of Section 9.1 shall not be effective to Excuse any party failing to give such notice from the performance of such covenant or obligation until such notice is given to the other party.

ARTICLE X  
MISCELLANEOUS PROVISIONS

10.1 Attorneys' Fees. If any party shall institute any legal action or proceeding in connection with any Default or claim of Default under this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party its reasonable fees and costs, including attorneys' fees and other reasonable expenses, as fixed by the court in its discretion.

10.2 Notice.

(a) Any and all notices, demands, requests, consents, approvals, designations, or other communications (collectively, for purposes of this Section 10.2 only, "Notice") required or desired to be given, made, received and communicated hereunder by any party shall be in writing and delivered by personal delivery, by deposit in the United States mail, certified or registered, postage prepaid, return receipt requested, by overnight express delivery service or by facsimile transmission, to the following addresses and fax numbers:

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To the Aladdin Parties: Aladdin Gaming, LLC  
2810 West Charleston Boulevard, Ste. 58  
Las Vegas, Nevada 89102  
Attn: Jack Sommer  
Telephone No.: (702) 870-1234  
Facsimile No.: (702) 870-8733

with a copy to: Ronald Dictrow  
c/o Sommer Properties  
280 Park Avenue  
New York, NY 10017  
Telephone No.: (212) 661-0700  
Facsimile No.: (212) 661-0844

and a copy to: Skadden, Arps, Slate, Meagher & Flom LLP  
919 Third Avenue  
New York, NY 10022-3897  
Attention: Wallace L. Schwartz, Esq.  
Telephone No.: (212) 735-3000  
Facsimile No.: (212) 735-2000

and a copy to: Schreck Morris  
300 S. Fourth Street, Suite 1200  
Las Vegas, Nevada 89101  
Attention: Ellen Schulhofer, Esq.  
Telephone No.: (702) 382-2101  
Facsimile No.: (702) 382-8135

To Aladdin Bazaar: Aladdin Bazaar Holdings, LLC  
c/o TH Bazaar Centers, Inc.  
4350 La Jolla Village Drive, Suite 400  
San Diego, California 92122-1233  
Attention: Wayne Finley and Wendy Godoy  
Telephone No.: (619) 546-3535  
Facsimile No.: (619) 546-3307

with a copy to: John Bedard  
TH Bazaar Centers, Inc.  
4350 La Jolla Village Drive, Suite 400  
San Diego, California 92122-1233  
Telephone No.: (619) 546-3304  
Facsimile No.: (619) 546-3413

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and

Allen, Matkins, et al.  
501 W. Broadway, Suite 900  
San Diego, California 92101  
Attn: David A.B. Burton, Esq. and  
Michael Pruter, Esq.  
Telephone No.: (619) 233-1155  
Facsimile No.: (619) 233-1158

Each party may designate at any time a different or additional address for its receipt of Notice by giving at least ten (10) days' Notice of such change of address to all other parties.

(b) Any Notice shall be deemed to have been given, made, received and communicated, as the case may be, on the date personal delivery was effected if personally served, three (3) business days after the deposit thereof in the United States mail, one (1) business day after the deposit thereof with the overnight delivery service, and on the date of transmission if by facsimile and received by the primary intended recipient (as opposed to those copied) prior to 5:00 p.m. on the recipient's business day (provided a hard copy of the same is sent in another manner permitted herein within twenty-four (24) hours of transmission); provided, however, if delivery is not completed due to the absence of the recipient or his/her refusal to accept delivery, delivery to the Person identified above for receipt of copies shall be deemed to be delivery to

the primary addressee. If any such Notice requires any action or response by the recipient or involves any consent or approval solicited from the recipient, such fact shall be clearly stated in the Notice. Any responsive consent, approval or designation shall be sent as provided above and shall be deemed to have been given, made, received and communicated, as the case may be, on the date of personal delivery, the date on which the facsimile was transmitted, one (1) business day after the deposit thereof with the overnight delivery service, or three (3) business days after the same was deposited in the United States mail in conformity with this Section.

(c) In the event a party shall give Notice to any other party of a Default, such Party shall concurrently send each of the other parties and their Mortgagees (in accordance with Article 15 of the REA) a copy of such Notice.

10.3 Mortgagee Notice Provisions. Any Mortgagee under a Mortgage affecting the Tract of a party shall be entitled to receive notice of any Default by the party as to such Tract in the same manner provided in Section 10.2, provided that such Mortgagee shall have delivered a notice to each party, substantially in the following form:

The undersigned, whose address is \_\_\_\_\_ does hereby certify that it is the "Mortgagee" (as such term is defined in the Site Work Development and Construction Agreement ("Site Work Agreement")) of the Tract of land described on Exhibit "A" attached hereto and made a part hereof and being the Tract of [party] in Clark County, Nevada. In the event that any notice shall be given of the Default of the party as to whose Tract the Mortgage held by the undersigned applies, a copy thereof shall be delivered to the

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undersigned who shall have all rights of a Mortgagee to Cure such Default as specified in the Site Work Agreement. Failure to deliver a copy of such notice to the undersigned shall in no way affect the validity of the notice of Default as it respects such party, but shall make the same invalid as it respects the Mortgage of the undersigned and such Mortgagee's cure rights shall remain undisturbed.

In the event that any notice shall be given of the Default of a party and such defaulting party has failed to Cure or commence to Cure such Default as provided in this Agreement, then and in that event any such Mortgagee under a Mortgage affecting the Tract of the Defaulting Party shall be entitled to receive an additional notice, given in the manner provided in Section 10.2, that the Defaulting Party has failed to Cure or commence to Cure such Default. Each Mortgagee shall have thirty (30) days after receipt of said additional notice to Cure or, if such Default cannot be Cured within thirty (30) days, to commence to Cure any such Default and to prosecute said Cure continuously and diligently until completed; provided, however, that no dispute of any nature between

Mortgagees shall serve to toll or extend said Cure period nor impose liability of any nature on any Party to resolve such dispute in connection with accepting Cure from any particular Mortgagee.

10.4 Amendment. This Agreement may not be modified, changed or supplemented, nor may any obligations hereunder be waived, except by a written instrument that references this Agreement and is signed by the parties. The parties shall make those modifications and changes to this Agreement requested by any Mortgagees that do not materially increase their respective obligations hereunder or adversely affect or diminish their respective rights at no cost to the non-requesting party.

10.5 No Third Party Beneficiaries. Except as set forth in Section 10.3, this Agreement is for the exclusive benefit of the parties hereto and not for the benefit of any third Person, nor shall this Agreement be deemed to have conferred any rights, express or implied, upon any third Person.

10.6 Counterparts. This Agreement may be executed by the parties in any number of counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute but one and the same instrument.

10.7 Governing Law. This Agreement shall be governed by, interpreted under, and construed in accordance with the laws of the State of Nevada applicable to agreements made and to be performed wholly within the State of Nevada. The parties intend and agree that the proper forum for the litigation of all actions and proceedings arising out of a Default or claim of Default under this Agreement, is any circuit court of the State of Nevada or the Eighth Judicial District Court of the State of Nevada in Clark County, Nevada. Each of the parties agrees that it will not commence any action or proceeding arising out of or relating to this Agreement in any court other than as specified in the preceding sentence and it shall not challenge on grounds of forum non conveniens or any other grounds any action or proceeding so commenced, and hereby stipulates and irrevocably agrees that said courts have in personam jurisdiction over each of them for such litigation of any such controversy.

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10.8 Waivers. A party's waiver of another party's default or of a provision of this Agreement must be made in writing, and no such waiver shall be implied from a party's failure to take or exercise, or delay in taking or exercising, any action or right in respect thereof (unless the time specified herein for taking such action or exercising such right has expired). No express waiver of any default shall affect any default, or cover any period of time, other than the precise default and period of time specified in such express waiver. No waiver of any default in the performance of any term, covenant, restriction or condition of this Agreement shall be deemed or shall constitute a waiver of any subsequent default or of any other term, covenant, restriction or

condition, nor shall any waiver constitute a continuing waiver. A party's giving of its consent or approval to any act or request of another party or the single or partial exercise of any right shall not be deemed to waive or render unnecessary the consenting party's consent to or approval of or the exercise of any subsequent acts, requests or rights, whether or not similar.

10.9 Assignment. This Agreement may not be assigned by any party hereto except that Aladdin Gaming may assign its rights and obligations under this Agreement to Holdings, and vice versa, and any Mortgagee that succeeds to the interest of a party hereunder may assign this Agreement subject to the terms of the REA. If Mortgagee acquires title to the Aladdin Site, Mortgagee shall not be liable for any obligations or damages incurred prior to such acquisition of title but from and after such date shall assume Aladdin Gaming's obligations hereunder. The parties agree in such event to meet and mutually agree upon equitable adjustments to the Construction Schedule and timing for interim and final completion deadlines consistent with commercially reasonable and technically feasible realities of the then existing circumstances. The Aladdin Parties and Bazaar Company may collaterally assign its rights hereunder to lenders in connection with construction financing. Any assignment shall expressly be made subject to the provisions of this Agreement and no party shall be released from liability hereunder in the event of an assignment without the prior written agreement of the other parties, which agreement shall not be unreasonably withheld.

10.10 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties and to their respective successors and assigns.

10.11 Further Assurances. The parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as the other may reasonably require to consummate, evidence or confirm any agreement contain herein in the manner contemplated hereby.

10.12 Title and Headings. Titles and headings of sections of this Agreement are for convenience of reference only and shall not affect the construction of any provisions of this Agreement.

10.13 Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the parties require.

10.14 Severability. The determination that any covenant, representation, warranty, condition or provision of this Agreement is invalid shall not affect the enforceability of the

remaining covenants, representations, warranties, conditions or provisions hereof and, in the event of any such determination, this Agreement shall be

construed as if such invalid covenant, representation, warranty, condition or provision were not included herein.

10.15 Drafting Ambiguities. The parties and their respective counsel have reviewed and revised this Agreement. The rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto.

10.16 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior understandings and writings and respect thereto.

10.17 Conflicts with REA. Notwithstanding anything to the contrary in Section 10.8 above, to the extent this Agreement fails to address or conflicts with an issue or matter addressed in the REA, the provisions of the REA shall control.

10.18 Term. This Agreement shall terminate on July 31, 1998, if Bazaar Company shall have failed to obtain its construction financing by that date, or on such date as all covenants and obligations of the parties hereunder have been performed, unless sooner terminated by the written consent of all parties hereto.

10.19 Recording Memorandum and Termination of Agreement. Upon the execution of this Agreement, the parties hereto shall agree to the form of, and, prior to the recordation of any Mortgage and after the recordation of a Memorandum of Bazaar Lease, shall record or cause to be recorded in the office of the recorder of the County, a Memorandum of Site Work Development and Construction Agreement, substantially in the form attached hereto as Exhibit "F". Upon the termination of this Agreement, either party, at the other party's request, will execute a recordable statement of termination of this Agreement which states the applicable termination date.

IN WITNESS WHEREOF, the parties have executed this Agreement the date and year first above written.

"ALADDIN GAMING"

ALADDIN GAMING, LLC, a Nevada limited liability company

By: /s/ Ron Dictrow

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Ron Dictrow, Executive Vice President and  
Secretary

"HOLDINGS"

ALADDIN HOLDINGS, LLC, a Delaware  
limited liability company

By: Aladdin Management Corporation,  
its Manager

By: /s/ Jack Sommer  
-----

Jack Sommer, Vice President and Secretary

"BAZAAR COMPANY"

ALADDIN BAZAAR, LLC, a Delaware limited liability  
company

By: ALADDIN BAZAAR HOLDINGS, LLC, a  
Nevada limited liability company, its  
Member

By: Aladdin Management Corporation, its  
Manager

By: /s/ Jack Sommer  
-----

Jack Sommer, Vice President and  
Secretary

By: TH BAZAAR CENTERS INC., a Delaware  
corporation

By: /s/ Wayne Finley  
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Wayne J. Finley, Senior Vice President

By: /s/ Wendy Godoy  
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Wendy M. Godoy, Senior Vice President

THE SITE

EXHIBIT A-2

THE BAZAAR SITE

EXHIBIT A-3

THE ALADDIN SITE

EXHIBIT A-4

THE MUSIC SITE

EXHIBIT A-5

THE ENERGY SITE

EXHIBIT B

THE PLANS

EXHIBIT B-1

THE BAZAAR PLANS

EXHIBIT B-2

THE ALADDIN PLANS

EXHIBIT C

DEMOLITION WORK

EXHIBIT D

THE SITE WORK PLANS

EXHIBIT E

REMEDIES

A Default by Bazaar Company with respect to its Reimbursement Obligation shall ipso facto result in the creation of a lien against the Bazaar Site consistent with provisions of Section 4.3 to the REA, with respect to the Allocable Share of Real Estate Taxes (as defined in the REA).

EXHIBIT F

MEMORANDUM OF SITE WORK DEVELOPMENT  
AND CONSTRUCTION AGREEMENT

MEMORANDUM OF  
SITE WORK DEVELOPMENT AND CONSTRUCTION AGREEMENT

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

Aladdin Gaming, LLC  
c/o Schreck Morris  
1200 Bank of America Plaza  
300 South Fourth Street  
Las Vegas, Nevada 89101  
Attn: Ellen Schulhofer, Esq.

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MEMORANDUM OF SITE WORK DEVELOPMENT  
AND CONSTRUCTION AGREEMENT

THIS MEMORANDUM OF SITE WORK DEVELOPMENT AND CONSTRUCTION AGREEMENT ("Memorandum") is made as of this 26th day of February, 1998, by and between Aladdin Gaming, LLC, a Nevada limited liability company ("Aladdin Gaming"), Aladdin Holdings, LLC, a Delaware limited liability company ("Aladdin Holdings") and Aladdin Bazaar, LLC, a Delaware limited liability company ("Bazaar Company").

1. Aladdin Gaming, Aladdin Holdings and Bazaar Company have entered into that certain Site Work Development and Construction Agreement dated of even date herewith ("Site Work Agreement"), pursuant to which they have set forth their respective rights, duties and obligations with respect to certain demolition and site work and the construction of improvements on certain real property located in the County of Clark, State of Nevada and more particularly described on Exhibit "A" hereto.

2. The purpose of this Memorandum is to give notice of the existence of the Site Work Agreement. To the extent that any provision of this Memorandum conflicts with any provision of the Site Work Agreement, the Site Work Agreement shall control.

3. This Memorandum may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

ALADDIN GAMING, LLC

ALADDIN BAZAAR, LLC

By: TH Bazaar Centers, Inc., a Delaware corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Wayne J. Finley, Senior Vice President

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Wendy M. Godoy, Senior Vice President

By: Aladdin Bazaar Holdings, LLC., a Nevada limited liability company

ALADDIN HOLDINGS, LLC

By: Aladdin Management Corporation, a Nevada corporation, its manager

By: Aladdin Management Corporation,  
its manager

By: \_\_\_\_\_

Ronald B. Dictrow, Treasurer

By: \_\_\_\_\_

Ronald B. Dictrow, Treasurer

By: \_\_\_\_\_

Jack Sommer, Vice President

By:

-----  
Jack Sommer, Vice President

STATE OF NEVADA            )  
                                  )        ss.  
COUNTY OF CLARK         )

      This instrument was acknowledged before me on February \_\_\_\_, 1998, by  
\_\_\_\_\_ as \_\_\_\_\_ of Aladdin Gaming, LLC.

-----  
Signature of Notarial Officer

STATE OF NEVADA            )  
                                  )        ss.  
COUNTY OF CLARK         )

      This instrument was acknowledged before me on February \_\_\_\_, 1998, by Wayne  
J. Finley as Senior Vice President of TH Bazaar Centers, Inc., Manager of  
Aladdin Bazaar, LLC.

-----  
Signature of Notarial Officer

STATE OF NEVADA            )  
                                  )        ss.  
COUNTY OF CLARK         )

      This instrument was acknowledged before me on February \_\_\_\_, 1998, by Wendy  
M. Godoy as Senior Vice President of TH Bazaar Centers, Inc., Manager of Aladdin  
Bazaar, LLC.

-----  
Signature of Notarial Officer

STATE OF NEVADA            )  
                                  )        ss.  
COUNTY OF CLARK         )

      This instrument was acknowledged before me on February \_\_\_\_, 1998, by  
Ronald B. Dictrow as Treasurer of Aladdin Management Corporation, Manager of  
Aladdin Bazaar Holdings, LLC (in turn, Manager of Aladdin Bazaar, LLC) and as  
Manager of Aladdin Holdings, LLC.

-----  
Signature of Notarial Officer

STATE OF NEVADA            )  
                                  )        ss.  
COUNTY OF CLARK         )

This instrument was acknowledged before me on February \_\_\_\_, 1998, by Jack Sommer as Vice President of Aladdin Management Corporation, Manager of Aladdin Bazaar Holdings, LLC (in turn, Manager of Aladdin Bazaar, LLC) and Manager of Aladdin Holdings, LLC.

-----  
Signature of Notarial Officer

STATE OF NEVADA            )  
                                  )        ss.  
COUNTY OF CLARK         )

This instrument was acknowledged before me on February \_\_\_\_, 1998, by \_\_\_\_\_ as \_\_\_\_\_ of Aladdin Holdings, LLC.

-----  
Signature of Notarial Officer

SCHEDULE 1

CONSTRUCTION SCHEDULE

SCHEDULE 2

PERMITS

I. Approvals Required During Development and Construction

A. Environmental Approvals

- 1. Regulation of Hazardous Materials
  - a. Storm water discharge permit. Nevada Administrative Code ("NAC") 445A.232; Clark County Code ("CCC") 24.40.020. To be obtained.
  - b. Sewer connection permit. CCC 24.05.090 To be obtained.
  - c. Storage tank permit. Nevada Revised Statutes ("NRS") 459.836; NAC 590.730(1) To be obtained.

- d. Permit to construct elevator, dumbwaiter, escalator and related equipment. NAC 618.454. Provided by Contractor.
2. Air Pollution Control
    - a. "Authority to construct" Certificate for air emissions source. NAC 445.704(1)(a). Provided by State. May be required for generators.
    - b. Operating Permit for air emissions source. NRS 445B.300(1)(a). Provided by State. May be required for generators.
    - c. Land cleaning or leveling permit for the disturbance of dust or vegetation. CCC 9.12.030. To be obtained.
  3. Aviation
    - a. Approval of the Federal Aviation Administration ("FAA"). CCC 29.50.030. Obtained.
    - b. Approval of the Clark County Department of Aviation. CCC 29.50.030. To be obtained.
    - c. Execution of aviation easement. CCC 29.50.030 To be obtained.
- B. Zoning Approvals.
1. Conditional use permit. CCC 29.30.015, 29.30.080 & 29.66.020. Obtained (UC-0334-96 & UC-2030-96).
  2. Flood control approval. Clark County Regional Flood Control District Regulations ("CCRFCD Regs") ss. 12.035(B). Preliminary approval obtained. Final approval to be obtained.
  3. Pre-development Agreement. Entered into with Clark County and approved by the Board of County Commissioners on March 18, 1997.
- C. Building Approvals.
1. Traffic study approval. Obtained.
  2. Building electrical, plumbing, mechanical, combination, swimming pool, spa, and other permits. CCC Title 22 & 29.56.010. To be obtained.
  3. Energy source connection approval. CCC 22.02.970. To be obtained.
  4. Demolition, Grading and Foundation Permits. To be obtained (authorized by Pre-development Agreement)
- D. Subdivision Map Requirements.
1. Technical studies
    - a. Traffic Impact Mitigation Plan. Approved. (Subject to options.)
    - b. Drainage Impact Evaluation Study and Mitigation Plan. Preliminary plan approved. Final approval to be

obtained.

II. Other Permits required prior to opening:

- A. Certificate(s) of occupancy. CCC 22.02.980 & 29.54.010 To be submitted.
- B. Occupational Safety and Health Regulations
  - 1. Operating permit (boiler/pressure vessel). NAC 618.172. Provided after installation.
  - 2. Operating permit for elevators, dumbwaiters, escalators and related equipment. NAC 618.457 & 618.466. Provided after installation.

SCHEDULE 3

PRO FORMA BUDGET

LEASE

by and between

Aladdin Gaming, LLC,  
a Nevada limited-liability company

("Lessor")

and

Aladdin Music Holding, LLC,  
a Nevada limited-liability company

("Lessee")

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- EXHIBIT A LEGAL DESCRIPTION OF THE MASTER SITE
- EXHIBIT B LEGAL DESCRIPTION OF THE DEMISED PREMISES
- EXHIBIT C RATIFICATION OF REA
- EXHIBIT D MEMORANDUM OF LEASE

LEASE

THIS LEASE is made as of February 26, 1998, by and between Aladdin Gaming, LLC, a Nevada limited liability company ("Lessor"), and Aladdin Music Holdings, LLC, a Nevada limited liability company ("Lessee").

RECITALS

A. Lessor is the owner in fee simple of certain real property located at 3667 Las Vegas Boulevard South, Clark County, Nevada (the "Master Site"), upon which Lessor intends to participate with others in the renovation and expansion of an existing hotel and casino facility, including, without limitation, the construction of a themed entertainment shopping center, a hotel/casino complex and new parking facilities for approximately 4,800 automobiles in a car parking facility and approximately three hundred sixty-four (364) automobiles in additional surface parking (the "Master Site "). The Master Site is more particularly described on Exhibit "A" hereto, which is incorporated herein by reference.

B. The Master Site includes approximately 4.75 acres of real property that is located at the corner of Audrey Lane and Harmon Avenue (the "Demised Premises") and is more particularly described on EXHIBIT "B" attached hereto.

C. Lessee intends to assign its interest in the Demised Premises under this Lease to Aladdin Music, LLC, a Nevada limited liability company, which company shall develop, construct and operate a hotel with approximately 1,000 rooms and an approximately 50,000 square foot casino (the "Hotel/Casino Facilities") on the Demised Premises.

D. Lessor, Aladdin Bazaar, LLC, a Delaware limited liability company and Aladdin Holdings, LLC, a Delaware limited liability company ("Holdings") have entered into that certain Site Work Development and Construction Agreement dated concurrently herewith ("Site Work Agreement"). Pursuant to the Site Work Agreement the existing improvements on the Master Site shall be demolished by Lessor and Holdings.

E. Lessee desires to lease from Lessor and Lessor desires to lease to Lessee the Demised Premises.

IN CONSIDERATION of the recitals and the mutual promises herein, the parties hereby agree as follows:

## ARTICLE I

### DEMISED PREMISES -- TERM OF LEASE

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SECTION 1.1 Lessor does hereby lease, rent, let and demise unto Lessee, and Lessee does hereby lease, take and hire, pursuant to this Lease, the Demised Premises, to have and hold the same unto Lessee, its successors and assigns, for the Term (as defined in Section 1.3 hereof), subject only to the terms and conditions herein provided and to the encumbrances and exceptions to title of record as of the date hereof (collectively, the "Permitted Exceptions"). All buildings, structures and improvements now or at any time hereafter erected, constructed or situated upon the Demised Premises or any part thereof prior to or during the continuance of the term of this Lease (including all utilities

systems, loading areas, access ways, fixtures, plants, apparatus, appliances, furnaces, boilers, machinery, engines, motors, compressors, dynamos, elevators, fittings, piping, connections, conduits, ducts, equipment, partitions, furnishings and personal property of every kind and description now or hereafter affixed or attached or adjacent or subjacent to any such building, structure or improvement now or hereafter used or procured for use in connection with the heating, cooling, lighting, plumbing, ventilating, air conditioning, refrigeration, cleaning or general operation of any such building, structure or improvement, together with any and all renewals and replacements of, additions to and substitutes for any such building, structure or improvement or any of the above referred to property made by Lessee) may be hereinafter sometimes collectively called the "Improvements". Lessee acknowledges that the existing Improvements on the Master Site will be demolished by Lessor pursuant to the Site Work Agreement and agrees to cooperate therewith at no cost or liability to Lessee except as set forth therein.

SECTION 1.2 It is understood and agreed by the parties that, following the execution hereof, Lessor shall cause the Demised Premises to be subdivided into a separate parcel or parcels from the balance of the Master Site, in accordance with Nevada Revised Statutes ("NRS") 278.320 through NRS 278.469, inclusive (the "Commercial Subdivision"). Lessee agrees to cooperate with Lessor to obtain the Commercial Subdivision and to fund its pro rata share of the cost thereof based upon the ratio that the Demised Premises bears to the Master Site. Lessor agrees to diligently pursue the Commercial Subdivision and to commence such process as soon as reasonably practicable after the date hereof, but in any event so as to complete the Commercial Subdivision prior to the "First Scheduled Opening Date" (as such term is defined in the Site Work Agreement). As soon as practicable after obtaining the Commercial Subdivision, and conditioned upon the cure of any outstanding monetary default (including any mechanics' liens encumbering the Demised Premises resulting from Lessee's activity), Lessor shall convey at no cost or expense to Lessee a fee interest in the Demised Premises to Lessee free and clear of any liens created by Lessor and subject only to the Permitted Exceptions, any encumbrances and exceptions created in accordance with the provisions hereof and subject to a right of reverser which provides for the reversion of the fee to Lessor upon failure to satisfy the Construction Financing Requirement (as defined below) on or before December 1, 1998 (the "Fee Transfer").

SECTION 1.3 This Lease shall commence as of the date hereof and shall terminate on the earlier to occur of (i) December 31, 2097 (ii) the date upon which possession of the whole of the Demised Premises and the Improvements is taken by any governmental or quasi-governmental public authority for any public or quasi-public use under any statute or by right of eminent domain, as set forth in Article X (iii) the date upon which Lessee's operating agreement terminates pursuant

to its own terms, which date shall be deemed to be the date upon which a

certificate of dissolution of Lessee is filed with the Secretary of State of the State of Nevada and (iv) the Fee Transfer (such period of time shall be referred to herein as the "Term"), unless this Lease shall be otherwise sooner terminated as provided herein. In the event that the Term of this Lease terminates pursuant to Subsections (ii), (iii), or (iv) above, the parties shall execute, acknowledge and deliver a ratification of this Lease substantially the form attached hereto as EXHIBIT "C" (the "Ratification of Lease"), and such Ratification of Lease shall be deemed executed and effective as of the original effective date of the REA (as defined in Section 7.1 hereof). Lessee hereby grants Lessor a limited power of attorney coupled with an interest for the purpose of executing, acknowledging and delivering the Ratification of Lease upon the termination of the Term of this Lease pursuant to Subsections (ii), (iii), or (iv) above. Neither party shall have the right to terminate this Lease prior to the expiration of the Term under any circumstances, including, without limitation, the occurrence of an Event of Default (as defined below).

## ARTICLE II

### RENT

SECTION 2.1 Lessee shall pay to Lessor from and after the grand opening of the Retail Facility to the public ("Rent Commencement Date"), in such legal tender of the United States of America as at the time of payment shall be acceptable for the payment of public and private debts, at the address for Lessor set forth below or at such other place as Lessor may from time to time designate in writing, an annual rent in the amount of Ten and No/100 Dollars (\$10.00) ("Property Rent"), payable in advance in annual installments commencing on the Rent Commencement Date and continuing on the same day of each year thereafter, with payments for periods of less than one year being prorated for the number of days of that year which are part of the term(s) of this Lease.

SECTION 2.2 Lessee shall pay the Property Rent without notice or demand.

## ARTICLE III

### PAYMENT OF TAXES, ASSESSMENTS, ETC.

SECTION 3.1 During all times prior to the Commercial Subdivision, Lessee shall pay or cause to be paid as additional rent, its Allocable Share of Real Estate Taxes, as such term is defined in, and pursuant to the terms of Section 6.6 of the REA (the "Impositions").

SECTION 3.2 Deliberately Omitted.

SECTION 3.3 The parties intend this Lease to be a "net" Lease, subject to the terms and conditions of the REA (as defined in Section 7.1 hereof). All expenses in connection with the operation of the Demised Premises and Improvements during the Term hereof shall be paid prior to the due date by Lessee, except as this Lease or the REA expressly provides otherwise.

SECTION 3.4 Each party, upon the written request of the other party, shall furnish to the requesting party and, upon the further and separate written request of the other, to any mortgagee to whom the requesting party is the mortgagor, within thirty (30) days after the date when any Imposition would become delinquent, official receipts of the appropriate taxing authority, or other proof satisfactory to the requesting party or such mortgagee, evidencing the payment thereof or a decision to proceed diligently under Section 3.5.

SECTION 3.5 Prior to the Fee Transfer, Lessee shall have the right, after prior written notice to Lessor, to contest the amount or validity, in whole or in part, of any Imposition by appropriate proceedings diligently conducted in good faith; provided, however, that Lessee must in any event pay any such Imposition prior to any action being taken that may adversely affect the ownership of or any leasehold or mortgagee's interest in the Demised Premises, in any of the Improvements, or in any portion thereof for nonpayment. Prior to commencing the contest of an Imposition, Lessee shall notify Lessor of the nature of the contest and of the amount in issue, and Lessor and Lessee shall use commercially reasonable efforts to reconcile their respective positions in relation to the taxing authority. Subject to the terms or conditions of any mortgage on the Demised Premises, either Lessor or Lessee may, if it shall so desire, but at its sole expense, endeavor at any time or times to obtain a lowering of the assessed valuation upon the Demised Premises and the Improvements, or any part thereof, for the purpose of reducing taxes thereon, and in such event, the other party will cooperate in effecting such reduction, provided the other party shall not be obligated to expend any money or provide any moneys in so cooperating.

SECTION 3.6 Neither party shall be required to join in any proceedings referred to in Section 3.5 of this Lease that are initiated by the other party unless the provisions of any law, rule or regulation at the time in effect shall require that such proceeding be brought by and or in the name of such other party or any owner of the Demised Premises, in which event the other party shall join in such proceedings or permit the same to be brought in its name, but shall not, however, be subjected to any liability for the payment of any costs or expenses in connection with any such proceedings not initiated by that party and the party initiating the said proceedings will indemnify and save harmless the other party from any such costs and expenses, reimbursing the other party therefor upon demand. Each party shall be entitled to any refund of any Imposition and penalties or interest from any governmental authority to the extent such refund represents moneys paid to such governmental authority, directly or indirectly, by that party.

SECTION 3.7 An official certificate or statement issued or given by any federal, state, county or municipal authority, or any department, bureau, board or officer thereof or of any public utility, showing the existence of any Imposition, together with interest and penalties thereon, the payment of which is the obligation of Lessee as herein provided, shall be prima facie evidence

for all purposes of this Lease of the existence, amount and validity of such Imposition.

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#### ARTICLE IV

##### SURRENDER OF PREMISES

SECTION 4.1 Subject to the provisions of Articles I and XI hereof and the provisions of the REA, on the last day of the Term hereof, or upon any earlier termination of this Lease (except if the Term ends as a result of the Fee Transfer), Lessee shall surrender and deliver possession of the Demised Premises and the Improvements to Lessor in reasonably good condition considering their age and use, ordinary wear and tear and the effect of casualty and condemnation excepted, without delay and free and clear of all liens and encumbrances other than (a) the Permitted Exceptions, or (b) those created in accordance with the provisions hereof or the REA. At the end of the Term (except if the Term ends as a result of the Fee Transfer), the title to and ownership of the Improvements shall automatically vest in Lessor without the execution of any further instrument, but Lessee shall execute a quitclaim deed and any other appropriate conveyancing documents to Lessor if Lessor so requests.

SECTION 4.2 Notwithstanding any other provisions of this Lease, where furnished by or at the expense of Lessee or any subtenant, Lessee may (or if required by Lessor, shall) remove furniture, trade fixtures and business equipment, furnishings and personal property of every kind, regardless of whether or not originally classified as Improvements, at or prior to the termination of this Lease or by such subtenant at or prior to the termination of its sublease; provided, however, that the removal thereof will not impair the structural integrity of the Improvements. Any damage to the Improvements resulting from such removal shall be repaired by Lessee to the reasonable satisfaction of Lessor, taking into account normal wear and tear.

SECTION 4.3 Any personal property of Lessee which shall remain in the Improvements for more than thirty (30) days after the termination of this Lease and the removal of Lessee, or any personal property of any subtenant which shall remain in the Improvements for more than thirty (30) days after the termination of this Lease and the removal of any such subtenant from the Improvements, may, at the option of Lessor, be deemed to have been abandoned by Lessee or such subtenant and may be retained by Lessor as its property or may be disposed of, without accountability, in such a manner as Lessor may see fit.

SECTION 4.4 The provisions of this Article IV shall survive any termination of this Lease.

#### ARTICLE V

INSURANCE

SECTION 5.1 The parties agree that they shall, throughout the Term of this Lease, maintain, or cause to be maintained, in full force and effect, such policy or policies of insurance as shall be required under Article 8 of the REA.

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ARTICLE VI

REPAIRS, MAINTENANCE AND RESTORATION

SECTION 6.1 Deliberately Omitted.

ARTICLE VII

CONSTRUCTION, CHANGES AND ALTERATIONS

SECTION 7.1 Deliberately Omitted.

SECTION 7.2 All construction performed on the Demised Premises or the Hotel/Casino Facilities shall be done in accordance with Articles 3 and 9 of the REA.

ARTICLE VIII

USE OF PROPERTY

SECTION 8.1 Use of the Demised Premises shall be governed by the REA and, as applicable, the Site Work Agreement.

ARTICLE IX

ENTRY ON PROPERTY BY LESSOR AND LESSEE

SECTION 9.1 Lessee shall permit Lessor and Lessor's authorized representatives to enter the Demised Premises and Improvements at all reasonable times during usual business hours after reasonable notice to Lessee for the purpose of inspecting the same and observing the manner in which Lessee protects, maintains and repairs the Demised Premises and complying with the Site Work Agreement.

SECTION 9.2 During the last ten ( 10) years of the Term, Lessor shall have the right to enter the Demised Premises and Improvements at all reasonable times during usual business hours after reasonable notice to Lessee and upon Lessee's consent (which Lessee shall not unreasonably withhold) for the purpose of showing the same to prospective purchasers and prospective tenants of the

Master Site, exclusive of the Demised Premises and Improvements, provided any such entry is in compliance with Lessee's reasonable security requirements and applicable gaming laws. Lessee shall have the right to enter the Master Site and HoteVCasino Facilities at all reasonable times during usual business hours after notice to Lessor and upon Lessor's consent (which Lessor shall not unreasonably withhold) for the purpose of showing the same to prospective assignees of Lessee's interest in or prospective subtenants of the Demised Premises, provided any such entry is in compliance with Lessor's reasonable security requirements and applicable gaming laws.

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SECTION 9.3 Nothing contained herein is intended to alter the rights of the parties to the REA regarding rights of access.

#### ARTICLE X

#### CONDEMNATION

SECTION 10.1 In the event that the whole of the Demised Premises shall be taken by any governmental or public authority for any public or quasi-public use under any statute or by right of eminent domain, whether by a condemnation proceeding or otherwise, then this Lease shall terminate on the earlier of the date that title to or possession of the Demised Premises and Improvements is taken and Property Rent and other charges provided herein to be paid by Lessee or already paid by Lessee shall be apportioned and paid by Lessee or refunded by Lessor to Lessee, as appropriate, to such date. In the event that a portion of the Demised Premises is condemned, then this Lease shall remain in full force and effect as to the portion of the Demised Premises remaining after such taking; PROVIDED, HOWEVER, that if such partial taking occurs prior to the Fee Transfer, Lessee's Allocable Share of Real Estate Taxes shall be recalculated and Lessor shall refund any amounts Lessee overpaid for the applicable tax year. Lessee shall have the right to all awards and payments provided as compensation for any such taking, and Lessor hereby agrees to assign and transfer to Lessee any such awards and payments received by it, except those expressly allocated to the Lessor's interest in the Demised Premises. Lessor and Lessee shall cooperate to jointly adjust and settle all claims to the award.

#### ARTICLE XI

#### FEE MORTGAGES AND LEASEHOLD MORTGAGES

SECTION 11.1 As used herein, "Mortgage" shall mean an indenture of mortgage, deed of trust, or a Sale and Leaseback of all or a portion of the interest of a party ("Mortgagor") in any portion of the Master Site owned or leased by it ("Mortgaged Premises"). "Mortgagee" shall mean either the trustee and beneficiary/mortgagee, individually or collectively as appropriate, under a Mortgage or the fee owner or lessor following a Sale and Leaseback provided that such persons are not in possession of the Mortgaged Premises of the applicable

party. A "Sale and Leaseback" shall mean a transaction in which (a) a party who is the fee owner of its Mortgaged Premises conveys a fee or a leasehold estate in all or a portion of its Mortgaged Premises for financing purposes and, immediately thereafter, such party, its affiliate or any guarantor of such party's covenants, agreements and obligations set forth in this Lease or in the REA, leases or subleases such Mortgaged Premises or portion thereof so conveyed, or (b) a party holding a leasehold estate in its Mortgaged Premises assigns said estate (or a portion thereof) or subleases such Mortgaged Premises (or a portion thereof) for financing purposes and, immediately thereafter, such party, its affiliate or any guarantor of such party's covenants, agreements and obligations set forth in this Lease or in the REA subleases such Mortgaged Premises or portion thereof so assigned or subleased.

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SECTION 11.2 Any present or future Mortgage or other lien or encumbrance affecting or encumbering Lessor's fee title to the real property constituting the Demised Premises (the "Fee") (any such Mortgage or other lien or encumbrance shall be referred to herein as a "Fee Mortgage") shall be subject and subordinate to this Lease. Lessor and Lessee acknowledge and agree that concurrently herewith, Lessor is encumbering the Fee with a Fee Mortgage in favor of Bank of Nova Scotia as Administrative Agent on behalf of certain lenders.

SECTION 11.3 Lessee shall have the right, at any time and from time to time, to encumber, by mortgage, deed of trust or other property instrument, the leasehold interest herein demised on such terms, conditions, and maturity as Lessee shall determine, and to enter into any and all extensions, modifications, amendments, replacements, and refinancing thereof as Lessee may desire (all of the foregoing being referred to herein collectively as "Leasehold Mortgages" and singularly as a "Leasehold Mortgage").

(b) Lessor shall simultaneously deliver to the holder of each Leasehold Mortgage ("Leasehold Mortgagee") and/or each trustee ("Trustee") of any trust indenture or deed of trust relating to the Leasehold Mortgage identified by written notice from Lessee to Lessor, a duplicate copy of any and all notices of default or other notices which Lessor may deliver to Lessee pursuant to the terms of this Lease, and any such notice shall not be effective as against any such Leasehold Mortgagee or Trustee until the duplicate copy is so delivered. A different address may be designated by any such Leasehold Mortgagee and Trustee by notice delivered to Lessor from time to time. Any such Leasehold Mortgagee or Trustee may, at its option and at any time, pay any of the Rents or other sums of money herein stipulated to be paid by Lessee or do any other act or thing required of Lessee by the terms of this Lease in accordance with the provisions of Sections 11.3(f) and (g) hereof; and all payments so made, and all things so done or performed by any such Leasehold Mortgagee or Trustee shall be as effective to cure Lessee's default as the same would have been if done and performed by Lessee instead of by any such Leasehold Mortgagee or Trustee.

The loan documents related to any such Leasehold Mortgage (the "Loan Documents") may, if Lessee so desires, be so conditioned as to provide that, as between the Leasehold Mortgagee (or Trustee) and Lessee, the Leasehold Mortgagee (or Trustee), on making good and performing any such default or defaults on the part of Lessee, shall be thereby subrogated to any and all of the rights of the person or persons to whom any payment is made by the Leasehold Mortgagee (or Trustee), and all of the rights of Lessee hereunder. The Leasehold Mortgagee (or Trustee) shall not be or become liable to Lessor as an assignee of this Lease until such time, if any, as the Leasehold Mortgagee (or Trustee) shall by foreclosure or other appropriate proceedings in the nature thereof, or as the result of any other action of remedy provided for in the Loan Documents (or Leasehold Mortgage), or by proper conveyance from Lessee, either acquire the rights and interests of Lessee under the terms of this Lease or actually take possession of the Demised Premises, and such liability of Leasehold Mortgagee (or Trustee) shall terminate upon the Leasehold Mortgagee (or Trustee) assigning such rights and interests to another party or relinquishing such possession, as the case may be, provided

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that such termination of liability as to the Leasehold Mortgagee (or Trustee) shall not extinguish any default hereunder or any such liability as to any other person or persons.

(c) Should any Leasehold Mortgagee or Trustee acquire Lessee's interest in this Lease and the Demised Premises by foreclosure or other appropriate proceedings in the nature thereof, or as a result of any other action or remedy provided for by any Leasehold Mortgage, or by a proper conveyance from Lessee, such Leasehold Mortgagee or Trustee shall take Lessee's interest in the Demised Premises subject to all the provisions of this Lease; and shall, so long as and only so long as it shall be the owner of the leasehold interest, assume personally the obligations of Lessee under this Lease.

(d) Should any Leasehold Mortgagee or Trustee acquire Lessee's interest in this Lease and in the Demised Premises by foreclosure or other appropriate proceedings in the nature thereof, or as a result of any other action or remedy provided for by any Leasehold Mortgage, or by proper conveyance from Lessee, such Leasehold Mortgagee or Trustee may, subject to the provisions of Article XII, assign this Lease by sale or otherwise. Any assignee of such Leasehold Mortgagee or Trustee, or any purchaser of the leasehold interest from such Leasehold Mortgagee or Trustee, or any person taking through any other means from such Leasehold Mortgagee or Trustee and/or their respective successors in interest shall take such leasehold interest subject to all the agreements, conditions, covenants and terms of this Lease on the part of Lessee to be kept, observed and performed, and shall as a condition of such assignment, purchase or other taking, assume and agree by writing in form approved by and delivered to Lessor to perform

all such agreements, conditions, covenants and terms, whereupon the assignor thereof shall be relieved thereafter of any liability hereunder.

(e) No such foreclosure, assignment, sale or hypothecation of the Demised Premises shall relieve, release, or in any manner affect the liability of Lessee under this Lease.

(f) Notwithstanding anything to the contrary contained herein, any Leasehold Mortgagee or Trustee shall have until thirty (30) days after the later of (i) notice or (ii) the expiration of the cure period given to Lessee under this Lease to cure any default under this Lease, provided that if such default is a non-monetary default and is not capable of cure within such thirty (30) day period, then such period as is reasonably necessary to cure such default, so long as such Leasehold Mortgagee or Trustee shall diligently proceed to do so. If the non-monetary default is such that possession of the Demised Premises is necessary to cure the same, then the period of time within which the Leasehold Mortgagee or Trustee may cure shall be extended by the period of time necessary for the Leasehold Mortgagee or Trustee to acquire Lessee's interest in this Lease and the Demised Premises by foreclosure or other appropriate proceedings (which extension shall include any period of time during which the Leasehold Mortgagee or Trustee is prohibited or delayed from commencing or prosecuting such proceedings by reason of the bankruptcy or insolvency of Lessee), provided

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that the Leasehold Mortgagee or Trustee promptly commences and diligently prosecutes such proceedings.

(g) Deliberately Omitted.

(h) Lessor shall not agree to any mutual termination or accept any surrender of this Lease, nor shall Lessor consent to any material amendment or modification of this Lease, without the prior written consent of each Leasehold Mortgagee or Trustee.

(i) Lessor agrees to execute such amendments or modifications of this Lease as may be reasonably required by a Leasehold Mortgagee or Trustee, at Lessee's request, provided that any such amendments and modifications do not in any material respect diminish any right or increase any obligation of, or adversely affect, Lessor and are in form reasonably satisfactory to Lessor and the holder of the Fee Mortgage.

#### SECTION 11.4

(a) Upon termination of this Lease by reason of rejection of this Lease in a bankruptcy of Lessor or for any other reason (other than as a result of the Fee Transfer), Lessor shall give notice thereof to the first

priority Leasehold Mortgagee or Trustee, and such Leasehold Mortgagee or Trustee shall have the option, upon notice to Lessor deposited in the mails not later than ninety (90) days after notice \*om Lessor of such termination, to elect to receive, in its own name or in the name of its nominee or designee, from Lessor a new lease of the Demised Premises for the unexpired balance of the Term hereof, or any renewal or extension hereof, on the same terms and conditions as are in this Lease set forth, which new lease shall be effective as of the date of termination of this Lease and Lessor agrees promptly to execute such lease, provided:

(i) such Leasehold Mortgagee or Trustee shall simultaneously with the giving of such notice cure any monetary default of Lessee; and

(ii) such Leasehold Mortgagee or Trustee immediately commences to remedy, and thereafter diligently pursues the remedy of, any non-monetary default of Lessee, excluding those which by their very nature are incapable of cure by any other person.

(b) The Leasehold Mortgagee or Trustee, or the nominee or designee of either, shall thereafter observe and perform all covenants and conditions in such new lease contained on the part of Lessee to be observed and performed. Any such new lease shall have priority equal to this Lease. If such Leasehold Mortgagee or Trustee (or nominee or designee) shall become lessee under such new lease and shall subsequently assign such new lease in accordance with Article XII herein, then such Leasehold Mortgagee or Trustee (or nominee or designee) shall thereupon be relieved of liability under such new lease, provided

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that the assignee expressly assumes all liabilities and obligations of lessee under such new lease thereafter accruing, and Lessee furnishes Lessor a copy of such assignment and assumption. The termination of this Lease prior to the date on which this Lease expires shall not terminate the right of such Leasehold Mortgagee or Trustee (or nominee or designee) to a new lease under this Article X1.

## ARTICLE XII

### ASSIGNMENT. TRANSFERS AND SUBLETTING

SECTION 12.1 The parties shall have the right at any time and from time to time during the Term hereof to assign, sell or otherwise transfer their respective interests, in whole or in part, in this Lease and the estate created by this Lease in accordance with the requirements of the REA; provided, however, that (a) each such assignment, sale or transfer shall expressly be made subject to the provisions of this Lease, and (b) any such assignment, sale or transfer

shall be subject to the Discharge and Release provisions of Article XIII hereof.

SECTION 12.2 Lessee shall have the right at any time and from time to time during the Term hereof to sublet all or any part or parts of the Demised Premises and to assign, encumber, extend, or renew any sublease, provided that:

(a) each such sublease shall expressly be made subject to the provisions of this Lease;

(b) each such sublease shall expire, by its express terms, no later than the end of the Term of this Lease;

(c) Lessee remains primarily obligated to perform Lessee's obligations hereunder; and

(d) Lessee shall use reasonable efforts to ensure that each sublease entered into after the Term of this Lease commences shall contain a provision requiring the sublessee, so long as the terms of such sublease are recognized and honored, to attorn to Lessor if Lessee defaults under this Lease, and if the subtenant is notified of Lessee's default and instructed to make subtenant's rental payments to Lessor.

SECTION 12.3 Lessor agrees, upon written request by Lessee and subject to the prior agreement of sublessees, to attorn and make payments to Lessor as provided in Section 12.2 hereof, and that Lessor shall execute a non-disturbance and attornment agreement upon commercially reasonable terms and in a form and substance acceptable to Lessor and the holder of the Fee Mortgage, which shall not require Lessor or the holder of the Fee Mortgage to assume any obligation to construct the Bazaar improvements.

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## ARTICLE XIII

### DISCHARGE AND RELEASE

SECTION 13.1 The discharge and release provisions set forth in Article 11 of the REA, along with the definitions set forth in Article 1 of the REA, shall also apply to this Lease.

## ARTICLE XIV

### DEFAULT PROVISIONS

Section 14.1 If any one or more of the following events happens, an Event of Default shall be deemed to have occurred:

(a) if default shall be made in the payment of any Property Rent payable under this Lease or any part thereof, when and as the same shall

become due and payable, and such default shall continue for a period of ninety (90) days after written notice thereof from Lessor to Lessee; or

(b) if default shall be made in the payment of any other amounts payable under this Lease or any part thereof, when and as the same shall become due and payable, and such default shall continue for a period of forty-five (45) days after written notice thereof from Lessor to Lessee; or

(c) notwithstanding the foregoing, if any mechanics' lien encumbers the Demised Premises (other than as may be created by Lessor or its agents) for more than twenty (20) days following actual notice to Lessee, and Lessee shall have failed to bond around same in accordance with applicable law, or have deposited an equivalent amount with the holder of the Fee Mortgage. Any amount so deposited shall be released to the party entitled to same upon the resolution of the claim underlying the mechanics lien.

SECTION 14.2 If any Event of Default occurs arising from the nonpayment of any Property Rents or any other amounts payable under this Lease, Lessor shall have the right to sue for each installment of such Property Rent or such other amounts as the same becomes due.

SECTION 14.3 If any Event of Default occurs other than one arising from the nonpayment of rents ("Nonmonetary Default"), this Lease shall remain in full force and effect and, if no resolution regarding the Event of Default can be obtained by agreement of the parties, Lessor shall be required to obtain its remedies by arbitration in accordance with the REA; provided, however, that following an arbitration decision requiring Lessee to cure a Nonmonetary Default, Lessee shall have an additional thirty (30) days after the issuance of the said decision to cure any such default and, if the default cannot be cured within such thirty (30) day period, Lessee shall diligently pursue such cure.

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SECTION 14.4 No failure by Lessor or Lessee to insist upon the strict performance of any provision of this Lease or to exercise any right or remedy consequent upon a breach hereof and no acceptance of full or partial rent during the continuance of any such breach (and/or the application thereof toward cure of the earliest occurring default) shall constitute a waiver of any such breach or of such provision. No provision hereof to be complied with by Lessee or Lessor, and no breach thereof shall be waived, terminated, altered or modified, except by a written instrument executed by Lessor and Lessee. No waiver of any breach shall affect or alter this Lease, but each and every provision of this Lease shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

SECTION 14.5 The remedies provided herein may be exercised by the parties entitled thereto singly, in combination, and cumulatively.

SECTION 14.6 Amounts payable under this Lease which become delinquent

shall bear interest, from the delinquency date until paid in full, at the rate set forth in Section 20.9 of the REA. When the party who owes the delinquent amount pays it, the party shall also pay the interest accrued thereon. No amount shall be considered delinquent hereunder until after the expiration of any applicable notice period or grace period.

SECTION 14.7 If default shall be made by Lessor in the performance of any obligations of Lessor under this Lease and such default shall continue for a period of thirty (30) days, and Lessor fails within such period to commence to cure such default and continuously and diligently thereafter to proceed with the curing of such default by the earliest date by which it may through continuous, diligent effort be cured (it being intended that in connection with a default not susceptible of being cured with due diligence within thirty (30) days, the time of Lessor within which to cure the same shall be extended for such period as may be necessary to complete the same with all due diligence), then Lessee shall have all rights and remedies available at law or in equity and not otherwise inconsistent with the terms of this Lease or the REA. The holder of the Fee Mortgage shall be entitled to receive notice and exercise the same or reciprocal rights as a Leasehold Mortgagee has under Section 11.3 in connection with a default by Lessee hereunder.

#### ARTICLE XV

##### INVALIDITY OF PARTICULAR PROVISIONS

SECTION 15.1 If any provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

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#### ARTICLE XVI

##### NOTICES AND CERTIFICATES

SECTION 16.1 Unless otherwise provided herein, any notice, communication, request, reply or advice (herein severally and collectively for convenience, called "notice" in this Lease) provided or permitted to be given, made or accepted by either party to the other, must be in writing and may, unless otherwise expressly provided in this Lease, be given or be served by telecopier transmittal with the original thereof deposited in the United States mail, postpaid and certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to such party in person or by courier. Notice transmitted via telecopier with an original deposited in the manner hereinabove described shall be effective, unless otherwise stated in this Lease, from and after the transmission of said telecopied notice. Notice given

in any other manner shall be effective only if and when received by the party to be notified. For purposes of notice, the addresses of the parties shall, until changed as herein provided, be as follows:

LESSOR: Aladdin Gaming, LLC  
c/o Sigmund Sommer Properties  
2810 W. Charleston Blvd., Suite 58  
Las Vegas, Nevada 89102  
Attn.: Jack Sornmer  
Telephone: 702-870-1234  
Telecopier: 702-870-8733

LESSEE: Aladdin Music Holdings, LLC  
c/o Sigmund Sommer Properties  
2810 W. Charleston Blvd., Suite 58  
Las Vegas, Nevada 89102  
Attn.: Jack Sommer  
Telephone: 702-870-1234  
Telecopier: 702-870-8733

with copies similarly delivered to:

Aladdin Gaming, LLC  
c/o Sigmund Sommer Properties  
280 Park Avenue  
New York, New York 10017  
Attn.: Ronald Dictrow  
Telephone: 212-661 -0700  
Telecopier: 212-661-0844

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and

PM (Boston), Inc.  
c/o Planet Hollywood International, Inc.  
8669 Commodity Circle  
Orlando, Florida 32918  
Attn:  
Telephone:  
Telecopier:

and

Schreck Morris  
1200 Bank of America Plaza  
300 South Fourth Street  
Las Vegas, Nevada 89101  
Attn.: Ellen L. Schulhofer, Esq.

Telephone: 702-382-2101  
Telecopier: 702-382-8135

and

Skadden, Arps, Slate, Meagher & Flom LLP  
919 Third Avenue  
New York, New York 10022  
Attn.: Audrey Sokoloff, Esq.  
Telephone: 212-735-3000  
Telecopier: 212-735-2000

and

Cravath, Swain & Moore  
Worldwide Plaza  
825 Eighth Ave.  
New York, NY 10019  
Attn.: Kevin J. Grehan, Esq.  
Telephone: 212-474-1490  
Telecopier: 212-474-3700

SECTION 16.2 Notices, demands, requests and consents which shall be served by registered or certified mail upon Lessor or Lessee in the manner aforesaid shall be deemed sufficiently served or given for all purposes hereunder (a) five (5) days after such notice, demand, request or consent

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shall be mailed by United States registered or certified mail as aforesaid in any Post Office or Branch Post Office regularly maintained by the United States Government, or (b) upon receipt, if earlier.

## ARTICLE XVII

### GOVERNING LAW AND CHOICE OF FORUM

SECTION 17.1 This Lease shall be governed by, interpreted under, and construed in accordance with the laws of the State of Nevada. The Parties intend and agree that the proper forum for the litigation of any and all disputes or controversies arising out of or related to this Lease, to the extent that arbitration is not specified for the resolution of such dispute as described herein, is the Eighth Judicial District Court of the State of Nevada. Each of the parties agrees that it will not commence any action or proceeding arising out of or relating to this Lease in any court other than as specified in the preceding sentence on grounds of forum non conveniens or any other grounds, and hereby stipulates and irrevocably agrees that said courts have in personam jurisdiction over each of them for such litigation of any dispute or controversy

arising out of or in any way related to this Lease.

## ARTICLE XVIII

### QUIET ENJOYMENT: CONVEYANCE BY LESSOR

SECTION 18.1 Lessor covenants that, provided that no Event of Default has occurred and is continuing, Lessee shall quietly have and enjoy the Demised Premises and Improvements and all portions thereof throughout the entire Term hereof but it is understood and agreed that this covenant and any and all other covenants of Lessor contained in this Lease shall be binding upon Lessor and its successors and assigns only with respect to breaches occurring during its and their respective ownership of the Lessor's interest hereunder.

SECTION 18.2 Lessor understands and agrees that Lessee shall have control over the Demised Premises subject and pursuant to the REA and, if applicable, the Site Work Agreement.

SECTION 18.3 At no time during the Term of this Lease shall Lessor, without Lessee's consent (which Lessee shall not unreasonably withhold), grant any easement, servitude or license or enter any restrictive covenant or accept any condition or otherwise make any grant or agreement which will affect title to the real property constituting the Demised Premises or Lessor's estate therein or Lessor's reversion hereunder except as expressly permitted in the REA.

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## ARTICLE XIX

### ESTOPPEL CERTIFICATES

SECTION 19.1 Each party shall at any time, and from time to time, within ten (10) business days of written notice from the other party, execute, acknowledge and deliver to such other party and any other party identified by such other party a statement in writing: (a) clarifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified, is in full force and effect) and the dates to which the rental and other charges are paid in advance or delinquent, if any, (b) certifying the commencement and termination dates of the Lease, (c) certifying that there has been no assignment or other transfer by the certifying party of this Lease, or any interest therein subject to Articles XI through XII hereof, (d) acknowledging that there are not, to the certifying party's knowledge, any uncured defaults on the part of the other party hereunder and that the certifying party has no right of offset, counterclaim or deduction against rent, or specifying such default if any are claimed together with the amount of any offset, counterclaim or deduction alleged by the certifying party, and (e) setting forth any other matters reasonably required by the requesting party. Any such statements may be relied

upon by any existing owner or prospective purchaser or any present or prospective lender upon the security of the Demised Premises. The failure of either party to deliver such statement within such time shall be conclusive and binding upon that party (i) that this Lease is in full force and effect, without modification except as may be represented by the requesting party, and that the status of rent payments is as certified by the requesting party, (ii) that there are no uncured defaults in the requesting party's performance and that the party being requested to issue a certificate has no right of offset, counterclaim or deduction against rental, and (iii) that no more than one month's rent has been paid in advance. [n addition to the foregoing, Lessor hereby covenants and agrees, upon the satisfaction by Lessee of the Construction Financing Requirement and the written request of Lessee, to execute, acknowledge and deliver to Lessee, or to such other party as Lessee may reasonably direct, a statement in writing certifying that the Construction Financing Requirement has been satisfied. Lessor hereby grants to Lessee an irrevocable power of attorney coupled with a interest for the purpose of executing, acknowledging and delivering such a statement in connection with the satisfaction of the Construction Financing Requirement.

## ARTICLE XX

### INDEMNITY AND LIABILITY

SECTION 20.1 The parties hereto shall be subject to the same indemnity obligations as are set forth in Section 8.1 of the REA, using the same definitions as are set forth in Article 1 of the REA.

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## ARTICLE XXI

### FORCE MAJEURE

SECTION 21.1 The rights and obligations of the parties hereto shall be subject to the same force majeure provisions contained in the REA.

## ARTICLE XXII

### ARBITRATION

SECTION 22.1 Any dispute between the parties involving this Lease, including those arising from disagreements over interpretation or application of the provisions hereof, and any other disputes involving provisions of this Lease shall be resolved by binding arbitration conducted in the manner set forth in Article 12 of the REA; provided, however, that any Party may seek prohibitory injunctive relief without first submitting the controversy to arbitration.

## ARTICLE XXIII

MISCELLANEOUS PROVISIONS

SECTION 23.1 For the purpose of this Lease, unless the context otherwise requires:

(a) The term "person" shall mean an individual, corporation, limited liability company, joint venture, general or limited partnership, unincorporated organizations, tenancy-in-common or government, or any agency or political subdivision thereof, and the term "successors" shall include the executors and administrators of any individual.

(b) Words of any gender used in this Lease shall include any other gender.

SECTION 23.2 Each party shall be separately responsible for any attorneys' fees it may incur in connection with the negotiation and preparation of this Lease and other instruments or documents mentioned herein. If there is any legal action or proceeding between Lessor and Lessee to enforce any provision of this Lease or to protect or establish any right or remedy of either party hereunder, the prevailing party shall be entitled to all costs and expenses, including reasonable attorneys' fees incurred in connection with such action and in any appeal in connection therewith.

SECTION 23.3 The captions and headings in this Lease are for convenience only, are not a part of this Lease, and do not in any way limit or amplify the provisions hereof.

SECTION 23.4 The parties shall cause a Memorandum of this Lease in the form attached hereto as Exhibit "C" to be executed and recorded with the office of the recorder of Clark County, Nevada immediately prior to the recording of the REA. Upon the termination of this Lease, either

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party, at the other party's request, will execute a recordable statement of termination of the Lease which states the applicable termination date.

SECTION 23.5 The relationship of Lessor and Lessee is that of landlord and tenant. Nothing herein shall be deemed to be a contract for employment or to create (a) a joint venture, (b) a partnership, (c) an agent/principal relationship, (d) an employer-employee relationship, or (e) any other type of relationship between Lessor and Lessee, or between Lessor and any officer, director or employee of Lessee. Nothing in this Lease shall be deemed to interfere with Lessor's or Lessee's right to hire, terminate or discipline their respective employees.

SECTION 23.6 It is mutually agreed by and between Lessor and Lessee that the respective parties hereto shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto

against the other on any matters whatsoever arising out of or in any way connected with this Lease, the relationship of Lessor and Lessee, Lessee's use or occupancy of the Demised Premises, and/or any claim of injury or damage.

SECTION 23.7 Time is of the essence of this Lease and of all of the terms, covenants, and conditions hereof

SECTION 23.8 This Lease may be executed in two or more counterparts and all of such counterparts, taken together, shall be deemed part of one instrument.

#### ARTICLE XXIV

##### NO MERGER OF TITLES

SECTION 24.1 Except as provided in Article I hereof, so long as any mortgage on this Lease and the leasehold created hereby has not been fully paid and satisfied and discharged of record, there shall be no merger of this leasehold estate with any other interest or title Lessee hereunder may acquire in the Demised Premises or any part thereof.

#### ARTICLE XXV

##### COVENANT TO BIND AND BENEFIT RESPECTIVE PARTIES

SECTION 25.1 The covenants of the parties herein contained shall, subject to the provisions of this Lease, bind and inure to the benefit of the successors and assigns of the respective parties hereto, except as otherwise provided herein.

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#### ARTICLE XXVI

##### ENTIRE AGREEMENT OF PARTIES

SECTION 26.1 This Lease constitutes the entire agreement between the parties pertaining to the subject matter contained in it and supersedes all prior agreements, representations and understandings of the parties. Concurrently herewith, the parties are entering into, inter alla the REA and Lessor is entering into the Site Work Agreement. No addition to or modification or termination of this Lease shall be binding unless executed in writing by each of the parties. Except as may be otherwise provided in this Lease, no waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver and no waiver shall be binding unless evidenced by an instrument in writing executed by the party marking the waiver.

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IN WITNESS WHEREOF, the parties hereto have set forth their hands on the day and year first above mentioned.

"LESSOR"  
ALADDIN GAMING, LLC, a Nevada  
limited liability company

"LESSEE"  
ALADDIN MUSIC HOLDINGS, LLC  
a Nevada limited liability company

By: /s/ Ron Dictrow

By: /s/ Ron Dictrow

-----  
Ronald B. Dictrow, Executive Vice  
President and Secretary

-----  
Ronald B. Dictrow, Secretary

STATE OF NEVADA        )  
                          ) ss.  
COUNTY OF CLARK        )

This instrument was acknowledged before me on the 4th day of March, 1998, by Ronald B. Dictrow, as Executive Vice President and Secretary of Aladdin Gaming, LLC.

/s/ Maria Redondo  
-----  
Notary Public  
(My commission expires 2/10/99)

STATE OF NEVADA        )  
                          ) ss.  
COUNTY OF CLARK        )

This instrument was acknowledged before me on the 4th day of March, 1998, by Ronald B. Dictrow, as Secretary of Aladdin Music Holdings, LLC.

/s/ Maria Redondo  
-----  
Notary Public  
(My commission expires 2/10/99)

EXHIBIT "A"

LEGAL DESCRIPTION OF THE MASTER SITE

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EXHIBIT "B"

LEGAL DESCRIPTION OF THE DEMISED PREMISES

EXHIBIT "C"

RATIFICATION OF REA

EXHIBIT "D"

MEMORANDUM OF LEASE

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

Aladdin Gaming, LLC  
c/o Schreck Morris  
1200 Bank of America Plaza  
300 South Fourth Street  
Las Vegas, Nevada 89101  
Attn: Ellen Schulhofer Esa.

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MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE ("MEMORANDUM"), is made as of this day of February, 1998 by and between ALADDIN GAMING, LLC, a Nevada limited liability company ("Landlord"), and ALADDIN MUSIC HOLDINGS, LLC, a Nevada limited liability company ("Tenant").

1. Landlord and Tenant have entered into that certain Lease dated of even date herewith ("Lease"), pursuant to which Landlord has ground leased to Tenant and Tenant has ground leased from Landlord that certain real property located in the County of Clark, State of Nevada, and more particularly described on Exhibit "A" attached hereto (the "Premises"), for a term of ninety-nine (99) years, commencing on February \_, 1998, for the rental and subject to the terms and covenants set forth in the Lease.

2. The purpose of this Memorandum is to give notice of the existence of the Lease. The Lease provides for the right of a mortgagee to have a new lease in the same priority as the Lease. To the extent that any provision of this Memorandum conflicts with any provision of the Lease, the Lease shall control.

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This Memorandum may be executed in counterparts, each of which shall be deemed an original, but all of which, together shall constitute one and the same instrument.

"LESSOR"  
ALADDIN GAMING, LLC, a Nevada  
limited liability company

"LESSEE"  
ALADDIN MUSIC HOLDINGS, LLC  
a Nevada limited liability company

By: \_\_\_\_\_  
Ronald B. Dictrow, Executive Vice  
President and Secretary

By: \_\_\_\_\_  
Ronald B. Dictrow, Secretary

STATE OF )  
 ) ss.  
COUNTY OF )

This instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_,  
199\_, by Ronald B. Dictrow, as Executive Vice President and Secretary of Aladdin  
Gaming, LLC.

-----  
Notary Public  
(My commission expires \_\_\_\_\_)

STATE OF )  
 ) ss.  
COUNTY OF )

This instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_,  
199\_, by Ronald B. Dictrow, as Secretary of Aladdin Music Holdings, LLC.

-----  
Notary Public  
(My commission expires \_\_\_\_\_)

## CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the reference of our firm under the caption "Experts" in this Registration Statement (Amendment No. 2 to Form S-1) and related Prospectus of Aladdin Gaming Enterprises, Inc. for the registration of 2,215,000 warrants to purchase 2,215,000 of Class B non-voting Common Stock of Aladdin Gaming Enterprises, Inc. and to the incorporation by reference therein of our reports dated January 15, 1998, with respect to the consolidated financial statements of Aladdin Gaming Holdings, LLC and subsidiaries and the financial statements of Aladdin Gaming, LLC, Aladdin Gaming Enterprises, Inc. and Aladdin Capital Corp.

/s/ ARTHUR ANDERSEN LLP  
ARTHUR ANDERSEN LLP

Las Vegas, Nevada  
July 20, 1998

## CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-1 of Aladdin Gaming Enterprises, Inc. of our report dated 19 June 1998 relating to the financial statements of London Clubs International plc, which appears in such Prospectus. We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ Price Waterhouse  
Price Waterhouse  
Chartered Accountants  
and Registered Auditors  
London  
21 July 1998