

SECURITIES AND EXCHANGE COMMISSION

FORM 8-A12B

Form for the registration/listing of a class of securities on a national securities exchange pursuant to
Section 12(b)

Filing Date: **1995-06-13**
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FILER

PROMUS HOTEL CORP

CIK: **944647** | IRS No.: **621596939** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **8-A12B** | Act: **34** | File No.: **001-11463** | Film No.: **95546752**

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As filed with the Securities and Exchange Commission on June 13, 1995

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-A/A
(Amendment No. 1)

FOR REGISTRATION OF CERTAIN CLASSES OF SECURITIES
PURSUANT TO SECTION 12(b) OR (g) OF THE
SECURITIES EXCHANGE ACT OF 1934

PROMUS HOTEL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

62-1596939

(State of incorporation or organization)

(I.R.S. Employer
Identification No.)

6800 Poplar Avenue, Suite 200, Memphis, Tennessee

38138

(Address of principal executive offices)

(Zip Code)

If this Form relates to the registration of a class of debt securities and is effective upon filing pursuant to General Instruction A.(c)(1), please check the following box. []

If this Form relates to the registration of a class of debt securities and is to become effective simultaneously with the effectiveness of a concurrent registration statement under the Securities Act of 1933 pursuant to General Instruction A.(c)(2), please check the following box. []

Securities to be registered pursuant to Section 12(b) of the Act:

Title of each class
to be so registered

Name of each exchange on which
each class is to be registered

Common Stock, par value
\$0.10 per share

Chicago Stock Exchange
Pacific Stock Exchange
Philadelphia Stock Exchange

Securities to be registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Item 1. Description of Registrant's Securities to be Registered.

The information required by this item is set forth under the sections "The Distribution -- Certain Special Considerations -- Dividend Policies," "-- Management of PHC -- PHC Board," "--Description of PHC Capital Stock," "-- Certain Provisions of the PHC Certificate and PHC Bylaws" and "--Liability and Indemnification of Officers and Directors of PHC" in the Proxy Statement (the "Proxy Statement") attached as Exhibit 99.1 to the Form 10/A of Promus Hotel Corporation which was filed with the Securities and Exchange Commission on May 3, 1995, and such sections are incorporated herein by reference.

Item 2. Exhibits.

1. Form 10/A of Promus Hotel Corporation (filed with the Securities and Exchange Commission on May 3, 1995 and incorporated herein by reference).
2. Pages 26, 56-57, and 74-81 of the Proxy Statement (which are incorporated herein by reference).
- *3. Amended and Restated Certificate of Incorporation of Promus Hotel Corporation (attached as Annex II-A to the Proxy Statement).
- *4. Restated Bylaws of Promus Hotel Corporation (attached as Annex II-B to the Proxy Statement).
- *5. Form of Rights Agreement between Promus Hotel Corporation and Continental Stock Transfer & Trust Company (attached as Exhibit 1 to the Form 8-A of Promus Hotel Corporation, filed with the Securities and Exchange Commission on the date hereof).
- *6. Copy of Common Stock Certificate.

- - - - -
* Pursuant to Instruction II of the Instructions as to Exhibits for Form 8-A, this exhibit will be filed with the exchanges set forth on the cover page hereto on which exchanges no other securities of the registrant are registered. Such exhibit is not filed with, or incorporated by reference in, this Form 8-A.

EXHIBIT INDEX

Exhibit Number	Description
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*6.	Copy of Common Stock Certificate.

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* Pursuant to Instruction II of the Instructions as to Exhibits for Form 8-A, this exhibit will be filed with the exchanges set forth on the cover page hereto on which exchanges no other securities of the registrant are registered. Such exhibit is not filed with, or incorporated by reference in, this Form 8-A.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized.

PROMUS HOTEL CORPORATION

Date: June 13, 1995

By: JEFFERY M. JARVIS

Jeffery M. Jarvis

Change in Trading Prices of Harrah's Entertainment Common Stock. After the Distribution, it is expected that Harrah's Entertainment Common Stock (formerly Promus Common Stock) will continue to be listed and traded on the New York Stock Exchange, the Midwest Stock Exchange, the Pacific Stock Exchange and the Philadelphia Stock Exchange. As a result of the Distribution, the trading price range of Harrah's Entertainment Common Stock is expected to be significantly lower than the trading price range of Promus Common Stock prior to the Distribution. The combined trading prices of PHC Common Stock and Harrah's Entertainment Common Stock held by stockholders after the Distribution may be less than, equal to or greater than the trading prices of Promus Common Stock prior to the Distribution. See "--Listing and Trading of Harrah's Entertainment Common Stock."

Dividend Policies. Neither Promus nor PHC presently intend to declare any cash dividends on either the PHC Common Stock or the Harrah's Entertainment Common Stock after the Distribution. It is expected that certain debt agreements of PHC and Harrah's Entertainment or their subsidiaries will substantially limit these companies' respective ability to pay dividends. The declaration and payment of dividends by PHC is at the discretion of the PHC Board. The declaration and payment of dividends by Harrah's Entertainment is at the discretion of the Harrah's Entertainment Board. The PHC Board and the Harrah's Entertainment Board intend to reevaluate their respective dividend policies in the future in light of their respective companies' results of operations, financial conditions, cash requirements, future prospects and other factors deemed relevant by the respective boards of directors. There can be no assurance that any dividends will be paid in the future.

Certain Antitakeover Features. If the Distribution Proposals are approved and the Distribution is consummated, the PHC Certificate and the PHC Bylaws will contain several provisions, all of which are now in effect with respect to Promus and will continue to be in effect with respect to Harrah's Entertainment, that may have the effects of making the acquisition of control of PHC difficult or expensive, of increasing the likelihood that incumbent management will retain their positions, and of depriving stockholders of opportunities to receive premiums over market value for their shares. See "--Certain Provisions of the PHC Certificate and PHC Bylaws."

Certain Consent Requirements. Promus has reviewed applicable governmental regulations, its existing debt obligations and other contractual arrangements to determine whether consummation of the Distribution, as structured, and related transactions would result in a violation of these regulations or obligations. In a substantial number of situations, an amendment, consent or waiver from third parties, including governmental agencies and gaming authorities, will be required to avoid noncompliance with such regulations or a default under such obligations. It is a condition of the Distribution that these amendments, consents or waivers have been obtained, except for those the failure of which to obtain would not have a material adverse effect on PHC or Harrah's Entertainment. The amendments, consents or waivers upon which Promus is conditioning the Distribution include, without limitation, consents from holders of the 10 7/8% Notes and the 8 3/4% Notes to certain amendments to the covenants contained in such Notes and an amendment to the Embassy Bank Credit Facility to accommodate the Distribution. See "--Financing--Harrah's Entertainment," "--Consent Solicitation" and "--Regulatory Approvals."

Potential Conflicts. Subsequent to the Distribution, the interests of PHC and Harrah's Entertainment may potentially conflict due to the ongoing relationships between the companies. Such sources of conflict include the fact

that after the Distribution, Harrah's Entertainment and PHC will enter into a noncompetition agreement that will limit the competition between PHC and Harrah's Entertainment. See "--Relationships Between PHC and Harrah's Entertainment after the Distribution--Noncompetition Agreement." In addition, Michael D. Rose will serve as chairman of the Harrah's Entertainment Board and as Chairman of the PHC Board, and Ben C. Peternell will serve as an executive officer of Harrah's Entertainment and as a director of PHC. Messrs. Rose and Peternell, as well as certain other officers and directors of PHC and Harrah's Entertainment, will also own shares (and/or options or other rights to acquire shares) in both companies following the Distribution. See "--Relationships Between

in a general partnership that owns the approximately 52-acre Station Square site across from the Golden Triangle in Pittsburgh on which the partnership plans to develop a casino entertainment facility if casino gaming is legalized in that jurisdiction. As of December 31, 1994, Harrah's Entertainment operated a total of approximately 521,400 square feet of casino space, 14,808 slot machines, 789 table games, 5,367 hotel rooms or suites, approximately 76,000 square feet of convention space, 51 restaurants, four showrooms and three cabarets. For more information about Harrah's Entertainment's casino business, see the 1994 Promus 10-K which is incorporated herein by reference.

MANAGEMENT OF PHC

PHC Board. The business of PHC will be managed under the direction of the PHC Board. The current directors of PHC are Ben C. Peternell, Michael D. Rose, Raymond E. Schultz and David C. Sullivan. Prior to the Distribution Date, Embassy, as sole stockholder of PHC, plans to elect at least seven additional persons to the PHC Board so that the eleven persons identified below will constitute the entire PHC Board effective as of the Distribution Date. In accordance with the PHC Certificate, the PHC Board is divided into three classes with staggered terms. The initial terms for Class I Directors, Class II Directors and Class III Directors will be one year, two years and three years, respectively. With the exception of the initial terms, each class of directors is elected for a term of three years. Directors for each class will be elected at the annual meeting of stockholders held in the year in which the term for such class expires. The PHC Certificate provides for a Board of Directors of not less than three nor more than seventeen directors and authorizes the PHC Board to determine the number within that range from time to time by the affirmative vote of a majority of the directors then in office.

<TABLE>
<CAPTION>

NAME AND AGE	PRESENT PRINCIPAL OCCUPATIONS OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY	CLASS OF DIRECTOR
<S>	<C>	<C>
U. Bertram Ellis, Jr. (41)...	Director of PHC effective as of the Distribution Date. President, Chief Executive Officer and Director of Ellis Communications, Inc., an owner-operator of television and radio stations, since 1993. President of Broadcast Development Corporation, a media consulting firm, since before 1990. President and Chief Executive Officer of American Innovations, Inc., a manufacturer of hair bows (1992-93). American Innovations, Inc. filed	II

a petition under Chapter 11 of the U.S. Bankruptcy Code in 1993. Chief Executive Officer and Chief Operating Officer, Act III Broadcasting, an owner-operator of television stations (before 1990-1992).

Debra J. Fields(38).....	Director of PHC effective as of the Distribution Date. Chairman of the Board of Mrs. Fields Inc. since 1992. President and Chief Executive Officer (before 1990-1993) of Mrs. Fields Inc.	I
Christopher W. Hart(44).....	Director of PHC effective as of the Distribution Date. President of Spire Group, Ltd. (formerly named TQM Group), a management consulting and executive education firm, since March, 1990.	III
C. Warren Neel(56).....	Director of PHC effective as of the Distribution Date. Dean of the College of Business Administration at The University of Tennessee, Knoxville, since before 1990. Dr. Neel is also a director of Clayton Manufactured Homes, Inc., O'Charley's, Inc., American HealthCorp, Inc., and Proffitt's.	I

</TABLE>

<TABLE>
<CAPTION>

NAME AND AGE	PRESENT PRINCIPAL OCCUPATIONS OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY	CLASS OF DIRECTOR

<S>	<C>	<C>
Ben C. Peternell(49).....	Director of PHC since April 1995. Senior Vice President, Human Resources and Communications of Promus since November 1989. Senior Vice President, Human Resources and Corporate Relations, Holiday Corporation and Holiday Inns, Inc. (1985-1990).	III
Michael D. Rose(53).....	Chairman of the Board of PHC since April 1995. Chairman of the Board of Promus since November 1989. Chief Executive Officer (1989-1994) and President (1989-1991) of Promus. Mr. Rose also is a director of Ashland Oil, Inc., First Tennessee National Corporation and General Mills, Inc.	II
Michael I. Roth(49).....	Director of PHC effective as of the Distribution Date. Chairman and Chief Executive Officer of Mutual of New York since 1994, trustee since 1991. Chairman, President and Chief Executive Officer (1993-1994), President and Chief Operating Officer (1991-1993) and Executive Vice President and Chief Financial Officer (1989-1991) of Mutual of New York.	II
Raymond E. Schultz(61).....	Director, President and Chief Executive Officer of PHC since April 1995. President and Chief Executive Officer of Promus Hotels Division of	III

Promus since March 1993. President and Chief Executive Officer of Hampton Inn/Homewood Suites Hotel Division of Promus (1991-1993). President and Chief Executive Officer of Hampton Inn Hotel Division of Promus (1983-1991).

Jay Stein(49).....	Director of PHC effective as of the Distribution Date. Chairman of the Board, Chief Executive Officer and Director of Stein Mart, Inc. since before 1990. Mr. Stein is also a director of Barnett Bank of Jacksonville and American Heritage Life Insurance Company.	III
David C. Sullivan(55).....	Director, Executive Vice President and Chief Operating Officer of PHC since April 1995. Executive Vice President and Chief Operating Officer of Promus Hotels Division of Promus since 1993. Senior Vice President of Development and Operations of Hampton Inn/Homewood Suites Hotel Division of Promus (1991-1993). Vice President of Development, Hampton Inn Hotel Division of Promus (1990-1991). President and Chief Executive Officer of McNeill-Sullivan Hospitality Corporation (1985-1990).	I
Ronald Terry(64).....	Director of PHC effective as of the Distribution Date. Chairman of the Board of First Tennessee National Corporation since 1973. Chief Executive Officer (1973-1994) and President (1988-1991) of First Tennessee National Corporation. Mr. Terry also is a director of Promus (but he will retire from the Promus Board on the Annual Meeting Date), BellSouth Corporation and AutoZone, Inc.	II

</TABLE>

DESCRIPTION OF PHC CAPITAL STOCK

General. PHC's authorized capital stock consists of 1,000 shares of PHC Common Stock, of which 100 shares are issued and outstanding and are owned by Embassy. Prior to the Distribution Date, the PHC's Certificate will be amended by the PHC Board and by Embassy, as sole stockholder of PHC. Under such restated PHC Certificate, which will be substantially in the form set forth in Annex II-A to this Proxy Statement, the total number of shares of all classes of stock that PHC will have authority to issue will be 365,150,000, of which 150,000 will be shares of preferred stock, par value \$100.00 per share ("PHC Preferred Stock"), 5,000,000 will be shares of special stock, par value \$1.12 1/2 per share ("PHC Special Stock"), and 360,000,000 will be shares of PHC Common Stock. Based on the number of shares of Promus Common Stock outstanding on January 31, 1995, approximately 51,231,744 shares of PHC Common Stock, constituting approximately 14% of the authorized PHC Common Stock, will be issued to Embassy, distributed by Embassy to Promus in the Embassy Distribution, and distributed to stockholders of Promus in the Distribution. Following the Embassy Distribution, Promus and its subsidiaries will own no shares of PHC Common Stock. All of the shares of PHC Common Stock issued in the Distribution will be validly issued, fully paid and non-assessable.

The PHC Certificate will provide that the PHC Board is authorized to provide for the issuance of shares of PHC Preferred Stock, from time to time, in one or more series, and to fix any voting powers, full or limited or none, and the

designations, preferences and relative, participating, optional or other restrictions thereon. No shares of PHC Preferred Stock of PHC will be outstanding immediately following the Distribution.

There will be no material differences between the rights of holders of capital stock of PHC and the rights of holders of capital stock in Promus following the Distribution.

Preferred Stock. The PHC Board has the authority, without further action by stockholders, to determine the principal rights, preferences and privileges of the unissued PHC Preferred Stock. Provisions could be included in the shares of PHC Preferred Stock, such as extraordinary voting, dividend, redemption or conversion rights, which could discourage an unsolicited tender offer or takeover proposal.

Common Stock. Subject to the limitations contained in PHC's debt instruments and after provision for the payment of dividends on any series of PHC Preferred Stock which might be issued and which has a preference with respect to the payment of dividends, holders of PHC Common Stock are entitled to receive such dividends as may be declared by the PHC Board out of funds legally available for such purpose. The PHC Board does not presently intend to declare any cash dividends after the Distribution. See "---Certain Special Considerations--Dividend Policies."

The PHC Common Stock has no conversion rights. The PHC Common Stock can be redeemed by PHC if, among other circumstances, in the judgment of the PHC Board such redemption is necessary to avoid any regulatory sanctions against, or to prevent the loss of, or to secure the reinstatement of, any license, franchise or entitlement from any governmental agency held by PHC, any affiliate of PHC, or any entity in which PHC or an affiliate is an owner, which license, franchise or entitlement is needed to conduct any portion of the business of PHC, any such affiliate or other entity or which license, franchise or entitlement is conditioned upon some or all of the holders of PHC Common Stock possessing prescribed qualifications. For further description of this provision, see "--Certain Provisions of the PHC Certificate and PHC Bylaws." No holder of PHC Common Stock has any preemptive right to subscribe for any stock or other securities of PHC which may be issued.

The holders of shares of PHC Common Stock are entitled in the event of any liquidation, dissolution or winding up of the affairs of PHC to share pro rata in all lawful distributions of the remaining assets of PHC.

The holders of PHC Common Stock will be entitled to one vote per share. Stockholders are not entitled to cumulative voting rights in the election of directors.

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Certain other provisions of the PHC Certificate affect the rights of holders of PHC Common Stock. See "--Certain Provisions of the PHC Certificate and PHC Bylaws."

PHC Rights and PHC Special Stock. PHC currently has 5,000,000 authorized shares of PHC Special Stock. The PHC Board has the authority, without further action by stockholders, to determine the rights, preferences and privileges of the unissued PHC Special Stock. Provisions could be included in the shares of PHC Special Stock, such as extraordinary voting, dividend, redemption or conversion rights, which could discourage an unsolicited tender offer or takeover proposal.

Concurrently with the Distribution and subject to the approval of the

Distribution Proposals by the stockholders, the PHC Board will authorize and determine that one PHC Right be attached to each share of PHC Common Stock to be received by the holders of Promus Common Stock in connection with the Distribution. Each PHC Right will entitle the registered holder to purchase from PHC one two-hundredth of a share (a "Unit") of Series A Special Stock, par value \$1.12 1/2 per share (the "Series A Stock") at a purchase price of \$120.00 per unit (the "Purchase Price"), subject to adjustment. The Purchase Price shall be paid in cash or by certified bank check or bank draft payable to the order of PHC. The description and terms of the PHC Rights are set forth in a Rights Agreement (the "PHC Rights Agreement") between PHC and Continental Stock Transfer & Trust Company, as rights agent.

PHC Rights will be attached to all PHC Common Stock certificates representing outstanding shares, and no separate rights certificates will be distributed, except as described below. The PHC Rights detach from the PHC Common Stock and are distributed to holders of PHC Common Stock upon a date (the "Rights Distribution Date") which is the earlier of (i) ten days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired or obtained the right to acquire, beneficial ownership of 20% or more of the outstanding shares of PHC Common Stock (the "Stock Acquisition Date"), or (ii) ten business days following the commencement of a tender offer or exchange offer that would result in a person or group beneficially owning 30% or more of such outstanding shares of PHC Common Stock. The PHC Board may postpone such Rights Distribution Date beyond the earlier of the dates set forth in the preceding sentence upon the vote of a majority of the directors who are not Acquiring Persons or affiliated or associated with an Acquiring Person (the "Continuing Directors"). Until the Rights Distribution Date (or earlier redemption or expiration of the PHC Rights), (i) the PHC Rights are evidenced by the PHC Common Stock certificates and are transferred with and only with such certificates, (ii) new PHC Common Stock certificates will contain a notation incorporating the Rights Agreement by reference, (iii) the surrender for transfer of any certificates for PHC Common Stock outstanding will also constitute the transfer of the PHC Rights associated with the shares represented by such certificates, and (iv) PHC Rights shall be issued in respect of all shares of PHC Common Stock which are issued after the Distribution. Except as otherwise determined by the PHC Board, only shares of PHC Common Stock issued prior to the Distribution Date will be issued with PHC Rights.

The PHC Rights are not exercisable until the Rights Distribution Date and expire at the close of business on May 1, 2005, unless earlier redeemed by PHC as described below or upon the occurrence of certain merger or other acquisition transactions approved by the PHC Board. As soon as practicable after the Rights Distribution Date, PHC Rights Certificates will be mailed to holders of record of shares of PHC Common Stock as of the close of business on the Rights Distribution Date and, thereafter, the separate PHC Rights Certificate alone will represent the rights.

In the event that, at any time following the Rights Distribution Date, (i) PHC is the surviving corporation in a merger with an Acquiring Person and its common stock is not changed or exchanged or (ii) an Acquiring Person becomes the beneficial owner of more than 20% of the then outstanding shares of PHC Common Stock (except pursuant to an offer for all outstanding shares of PHC Common Stock which a majority of the Continuing Directors determine to be fair to and otherwise in the best interests of stockholders), each holder of a PHC Right will thereafter have the right to receive, upon exercise,

PHC Common Stock (or, in certain circumstances, cash, property or other securities of PHC) having a value equal to two times the exercise price of the

PHC Right. Notwithstanding any of the foregoing, following the occurrence of any of the events set forth in this paragraph, all PHC Rights that are, or (under certain circumstances specified in the PHC Rights Agreement) were, beneficially owned by any Acquiring Person will be null and void. However, PHC rights are not exercisable following the occurrence of any of the events set forth above until such time as the PHC Rights are no longer redeemable by PHC as set forth below.

For example, at an exercise price of \$120.00 per PHC Right, each PHC Right not owned by an Acquiring Person (or by certain related parties) following an event set forth in the preceding paragraph would entitle its holder to purchase \$240.00 worth of PHC Common Stock (or other consideration, as noted above) for \$120.00. Assuming that the PHC Common Stock had a per share value of \$20.00 at such time, the holder of each valid PHC Right would be entitled to purchase 12 shares of PHC Common Stock for \$120.00.

In the event that, at any time following the Stock Acquisition Date, (i) PHC is acquired in a merger or other business combination transaction in which PHC is not the surviving corporation or PHC Common Stock is changed into or exchanged for securities of any other person, cash or other property (other than a merger which follows an offer described in clause (ii) of the second preceding paragraph), or (ii) 50% or more of PHC's assets or earning power is sold or transferred, each holder of a PHC Right (except PHC Rights which previously have been voided as set forth above) shall thereafter have the right to receive, upon exercise, common stock of the acquiring or surviving company having a value equal to two times the exercise price of the PHC Right. The events set forth in this paragraph and in the second preceding paragraph are referred to as the "Triggering Events."

The Purchase Price payable, and the number of Units or other securities or property issuable, upon exercise of PHC Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Series A Stock, (ii) if holders of the Series A Stock are granted certain rights or warrants to subscribe for Series A Stock or convertible securities at less than the current market price of the Series A Stock, or (iii) upon the distribution to holders of the Series A Stock of evidences of indebtedness or assets (excluding regular quarterly cash dividends) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments amount to at least 1% of the Purchase Price. In addition, to the extent that PHC does not have sufficient shares of PHC Common Stock issuable upon exercise of the PHC Rights following the occurrence of a Triggering Event, PHC may, under certain circumstances, reduce the Purchase Price. No fractional Units will be issued and, in lieu thereof, an adjustment in cash will be made based on the market price of the Series A Stock on the last trading day prior to the date of exercise.

At any time until ten days following the Stock Acquisition Date, PHC may redeem the PHC Rights in whole, but not in part, at a price of \$0.01 per PHC Right, as such redemption price may be adjusted pursuant to the PHC Rights Agreement. As long as the PHC Rights are redeemable, a majority of the Continuing Directors of PHC may extend the period for redemption. After the redemption period has expired, PHC's rights of redemption may be reinstated if an Acquiring Person reduces his beneficial ownership to 10% or less of the outstanding shares of PHC Common Stock in a transaction or series of transactions not involving PHC. Immediately upon the action of the Board of Directors ordering redemption of the PHC Rights, the PHC Rights will terminate and the only right of the holders of PHC Rights will be to receive the \$0.01 redemption price (as adjusted) per PHC Right.

Until a PHC Right is exercised, the holder thereof, as such, will have no rights as a stockholder of PHC, including, without limitation, the right to vote or to receive dividends. While the distribution of the PHC Rights will not be taxable to stockholders or to PHC, stockholders may, depending upon the circumstances, recognize taxable income in the event that the PHC Rights become exercisable for PHC

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Common Stock (or other consideration) or for common stock of the acquiring company as set forth above.

Other than those provisions relating to the principal economic terms of the PHC Rights, any of the provisions of the PHC Rights Agreement may be amended by the PHC Board prior to the Rights Distribution Date. After the Rights Distribution Date, the provisions of the PHC Rights Agreement may be amended by the PHC Board only in order to cure any ambiguity, to make changes which do not adversely affect the interests of holders of PHC Rights (excluding the interests of any Acquiring Person), or to shorten or lengthen any time period under the PHC Rights Agreement; provided, however, that no amendment to adjust the time period governing redemption shall be made at such time as the PHC Rights are not redeemable.

CERTAIN PROVISIONS OF THE PHC CERTIFICATE AND PHC BYLAWS

Embassy, as sole stockholder of PHC, has approved an amendment of the PHC Certificate and the PHC Bylaws, effective as of the Distribution Date, to make the PHC Certificate and PHC Bylaws substantially similar to the Promus Certificate and Promus Bylaws as currently in effect. Such amendment to the PHC Certificate and PHC Bylaws contains a variety of provisions designed to encourage any person who desires to take control of and/or acquire PHC to enter into negotiations with the PHC Board. In general, these provisions (i) provide for a classified board of directors from which directors may only be removed by the stockholders for cause, (ii) generally provide that only a majority of the PHC Board shall have the authority to fill vacancies on the PHC Board, (iii) limit the right of stockholders to amend PHC's Bylaws, (iv) eliminate the right of stockholders to call special meetings and to take action without a meeting, (v) establish an advance notice procedure regarding the nomination of directors by stockholders and stockholder proposals to be brought before an annual meeting, (vi) require that certain business combinations either meet certain minimum price and procedural requirements, be approved by the members of the PHC Board who are unaffiliated with the persons seeking to effect such business combinations or be approved by a supermajority stockholder vote, and (vii) authorize the PHC Board to redeem shares of capital stock of PHC to the extent necessary to prevent the loss of, or to reinstate, certain governmental licenses or franchises for the conduct of PHC's business. In addition to encouraging any person intending to attempt a takeover of PHC to negotiate with the PHC Board, these provisions also curtail such person's use of a dominant equity interest to control any negotiations with the PHC Board. Under such circumstances, the PHC Board may be better able to make and implement reasoned business decisions and protect the interests of all of PHC's stockholders. A copy of the amended PHC Certificate and the PHC Bylaws are set forth as Annexes II-A and II-B.

Classified Board of Directors. The PHC Certificate provides for the PHC Board to be divided into three classes serving staggered terms so that directors' initial terms will expire either at the 1996, 1997 or 1998 annual meeting of stockholders. Starting with the 1996 annual meeting of PHC stockholders, one class of directors will be elected each year for three-year terms. See "--Management of PHC-- PHC Board." The classification of directors makes it more difficult for a significant stockholder to change the composition of the PHC Board in a relatively short period of time and, accordingly, provides

the PHC Board and stockholders time to review any proposal that a significant stockholder may make and to pursue alternative courses of action which are fair to all the stockholders of PHC.

Removal; Filling Vacancies. The PHC Certificate provides that, subject to any rights of the holders of PHC Preferred Stock and PHC Special Stock, only a majority of the PHC Board then in office or the sole remaining director shall have the authority to fill any vacancies on the PHC Board, including vacancies created by an increase in the number of directors. Moreover, because the PHC Certificate provides for a classified board, Delaware law provides that the stockholders may remove a member of the PHC Board only for cause. These provisions relating to removal and filling of vacancies on the PHC Board will preclude stockholders from enlarging the PHC Board or removing incumbent directors and filling the vacancies with their own nominees.

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Amendment of the PHC Certificate and Bylaws. The PHC Certificate contains provisions requiring the affirmative vote of the holders of at least 75 percent of the voting power of the stock entitled to vote generally in the election of directors to amend certain provisions of the PHC Certificate and PHC Bylaws (including certain of the provisions discussed above). These provisions will make it more difficult for stockholders to make changes in the PHC Certificate or Bylaws, including changes designed to facilitate the exercise of control over PHC.

Limitations on Stockholder Action by Written Consent; Special Meetings. The PHC Certificate provides that stockholder action can be taken only at an annual or special meeting of stockholders and prohibits stockholder action by written consent in lieu of a meeting. The PHC Certificate and PHC Bylaws provide that, subject to the rights of holders of any series of Preferred Stock, special meetings of stockholders can be called only by a majority of the entire PHC Board or by the President or Chairman of the Board. Stockholders are not permitted to call a special meeting or to require that the PHC Board call a special meeting of stockholders. Moreover, the business permitted to be conducted at any special meeting of stockholders is limited to the business brought before the meeting by or at the direction of the PHC Board. These provisions prohibit a significant stockholder from proposing a stockholder vote on issues not approved by the PHC Board or from authorizing stockholder action without a meeting at which all stockholders would be entitled to participate..

Nominations of Directors and Stockholder Proposals. The PHC Bylaws establish an advance notice procedure with regard to the nomination other than by or at the direction of the PHC Board of candidates for election as directors (the "Nomination Procedure") and with regard to stockholder proposals to be brought before an annual meeting of stockholders (the "Business Procedure"). The Nomination Procedure provides that only persons who are nominated by or at the direction of the PHC Board, or by a stockholder who has given timely prior written notice to the Corporate Secretary of PHC prior to the meeting at which directors are to be elected, will be eligible for election as directors. The Business Procedure provides that stockholder proposals must be submitted in writing in a timely manner in order to be considered at any annual meeting. To be timely, notice for nominations or stockholder proposals must be received by PHC not less than 60 days nor more than 90 days prior to the annual meeting; provided, however, that in the event that less than 70 days notice or prior public disclosure of the date of the annual meeting is given or made to stockholders, notice by a stockholder, to be timely, must be received no later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs.

Under the Nomination Procedure, notice to PHC from a stockholder who proposes to nominate a person at a meeting for election as a director must contain certain information about that person, including age, business and residence addresses, principal occupation, the class and number of shares of PHC stock beneficially owned, the consent to be nominated and such other information as would be required to be included in a proxy statement soliciting proxies for the election of the proposed nominee, and certain information about the stockholder proposing to nominate that person. Under the Business Procedure, notice relating to a stockholder proposal must contain certain information about such proposal and about the stockholder who proposes to bring the proposal before the meeting, including the class and number of shares of PHC Common Stock beneficially owned by such stockholder.

The purpose of the Nomination Procedure is, by requiring advance notice of nomination by stockholders, to afford the PHC Board a meaningful opportunity to consider the qualifications of the proposed nominees and, to the extent deemed necessary or desirable by the PHC Board, to inform stockholders about such qualifications. The purpose of the Business Procedure is, by requiring advance notice of stockholder proposals, to provide a more orderly procedure for conducting annual meetings of stockholders and, to the extent deemed necessary or desirable by the PHC Board, to provide the PHC Board with a meaningful opportunity to inform stockholders, prior to such meetings, of any proposal to be introduced at such meetings, together with any recommendation as to the PHC Board's position or belief as to action to be taken with respect to such proposal, so as to enable stockholders better to

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determine whether they desire to attend such meeting or grant a proxy to the PHC Board as to the disposition of any such proposal. Although the PHC Bylaws do not give the PHC Board any power to approve or disapprove stockholder nominations for the election of directors or of any other proposal submitted by stockholders, the PHC Bylaws may have the effect of precluding a nomination for the election of directors or precluding the conducting of business at a particular stockholder meeting if the proper procedures are not followed, and may discourage or deter a third party from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of the company, even if the conduct of such solicitation or such attempt might be beneficial to the company and its stockholders.

Fair Price Provision. Article Ninth of the PHC Certificate (the "Fair Price Provision") requires the approval by the holders of 75% of the voting power of the outstanding capital stock of PHC entitled to vote generally in the election of directors (the "Voting Stock") as a condition for mergers and certain other business combinations ("Business Combinations") involving PHC and any holder of more than 10% of such voting power (an "Interested Stockholder") unless the transaction is either (i) approved by a majority of the members of the PHC Board who are not affiliated with the Interested Stockholder and who were directors before the Interested Stockholder became an Interested Stockholder (the "Disinterested Directors") or (ii) certain minimum price and procedural requirements are met.

The Fair Price Provision is designed to prevent a third party from utilizing two-tier pricing and similar inequitable tactics in a takeover attempt. The Fair Price Provision is not designed to prevent or discourage tender offers for PHC. However, the separate provisions contained in the PHC Certificate and the PHC Bylaws relating to "Classified Board of Directors" and "Limitations on Stockholder Action by Written Consent; Special Meetings" discussed above will, as therein indicated, curtail an Interested Stockholder's ability to exercise control in several respects, including such stockholder's ability to change incumbent directors who may oppose a Business Combination or to implement a

Business Combination by written consent without a stockholder meeting. In addition, the Fair Price Provision would discourage some takeover attempts by persons intending to acquire PHC in two steps and to eliminate remaining stockholder interests by means of a business combination involving less consideration per share than the acquiring person would propose to pay for its initial interest in PHC.

In addition, under Section 203 of the DGCL as applicable to PHC, certain "business combinations" (defined generally to include (i) mergers or consolidations between a Delaware corporation and an interested stockholder (as defined below) and (ii) transactions between a Delaware corporation and an interested stockholder involving the assets or stock of such corporation or its majority-owned subsidiaries, including transactions which increase the interested stockholder's percentage ownership of stock) between a Delaware corporation, whose stock generally is publicly traded or held of record by more than 2,000 stockholders, and an interested stockholder (defined generally as those stockholders, who, on or after December 23, 1987, become beneficial owners of 15 percent or more of a Delaware corporation's voting stock) are prohibited for a three-year period following the date that such stockholder became an interested stockholder, unless (i) prior to the date such stockholder became an interested stockholder, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder, (ii) upon consummation of the transaction that made such stockholder an interested stockholder, the interested stockholder owned at least 85 percent of the voting stock of the corporation outstanding at the time the transaction commenced (excluding voting stock owned by officers who also are directors and voting stock held in employee benefit plans in which the employees do not have a confidential right to tender or vote stock held by the plan), or (iii) the business combination was approved by the board of directors of the corporation and ratified by two-thirds of the voting stock which the interested stockholder did not own. The three-year prohibition also does not apply to certain business combinations proposed by an interested stockholder following the announcement or notification of certain extraordinary transactions involving the corporation and a person who had been an interested stockholder during the previous three

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years or who became an interested stockholder with the approval of a majority of the corporation's directors.

Prior to effecting the Distribution, the PHC Board shall take action to pre-approve the acquisition of shares of PHC Common Stock as a result of the Distribution by certain stockholders in Promus, such that stockholders in Promus who are not subject to the restrictions contained in Section 203 of the DGCL prior to the Distribution with respect to business combinations with Promus will not, as a result of the receipt of PHC Common Stock in the Distribution, become subject to Section 203 restrictions subsequent to the Distribution with respect to business combinations with PHC. Such pre-approval shall not apply to stockholders in Promus who are "interested stockholders" in Promus under Section 203 prior to the Distribution and who are subject to Section 203 restrictions with respect to business combinations with Promus such that such interested stockholders will continue to be subject to Section 203 restrictions with respect to business combinations with PHC upon receipt of PHC Common Stock in the Distribution. Promus believes that there are no stockholders that currently constitute "interested stockholders" under Section 203; however, any stockholder who becomes the beneficial owner of 15 percent or more of the Promus Common Stock between the date hereof and the Distribution Date would become an interested stockholder in Promus and also in PHC upon consummation of the Distribution.

Redemption. Under Section 151(b) of the DGCL, any stock of a corporation which has a license or franchise from a governmental agency to conduct its business, which license or franchise is conditioned upon some or all of the holders of the corporation's stock possessing prescribed qualifications, may be made subject to redemption by the corporation to the extent necessary to prevent loss of such license or franchise or to reinstate such license or franchise. The PHC Certificate contains such a redemption provision applicable to governmental licenses, franchises or entitlements held by PHC, any of its affiliates or any entity in which PHC or an affiliate is an owner. Under that provision, outstanding shares of PHC Common Stock, or any other class or series of stock of PHC, may be redeemed, among other circumstances, upon action of the PHC Board, to the extent necessary to avoid any regulatory sanctions against, or to prevent the loss of, or secure the reinstatement of, any such license, franchise or entitlement. The redemption price of any stock so redeemed will be payable in cash, debt or equity securities of PHC or another corporation, or any combination thereof, equal to the "Fair Market Value" (as defined in the PHC Certificate) of the stock to be so redeemed or such redemption price as required by applicable law.

LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS OF PHC

Articles Tenth and Thirteenth of the PHC Certificate (the "Director Liability and Indemnification Provisions") limit the personal liability of PHC directors to the company or its stockholders for monetary damages for breach of fiduciary duty. The Director Liability and Indemnification Provisions are substantially identical to comparable provisions contained in the Promus Certificate.

The Director Liability and Indemnification Provisions define and clarify the rights of certain individuals, including PHC directors and officers, to indemnification by PHC in the event of personal liability or expenses incurred by them as a result of certain litigation against them. Such provisions are consistent with Section 102(b)(7) of the DGCL. The limitation of liability in the Director Liability and Indemnification Provisions may not cover claims arising under the federal securities laws.

The Director Liability and Indemnification Provisions will be approved, along with the rest of the PHC Certificate and the PHC Bylaws, by Embassy, as sole stockholder of PHC prior to the Distribution Date.

Elimination of Liability in Certain Circumstances. Under the DGCL, unless the corporation's certificate of incorporation provides otherwise, directors can generally be held liable for gross negligence, but not simple negligence, in the performance of their duties. As permitted by the DGCL, Article Thirteenth of the PHC Certificate protects directors against monetary liability to PHC and its

stockholders for gross negligence with respect to their fiduciary duty of care. Article Thirteenth does not protect directors against personal liability for (i) breaches of their duty of loyalty to PHC and its stockholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law, (iii) liability under Section 174 of the DGCL, or (iv) transactions from which a director derives improper personal benefit. Article Thirteenth eliminates director liability to the fullest extent permitted under Section 174 of the DGCL, which Section otherwise makes directors personally liable for unlawful dividends or unlawful stock repurchases or redemptions and expressly sets forth a negligence standard with respect to such liability.

While Article Thirteenth provides directors with protection from awards of monetary damages for breaches of the duty of care, it does not eliminate the directors' duty of care. Accordingly, Article Thirteenth will have no effect on the availability of equitable remedies such as an injunction or rescission based upon a director's breach of the duty of care. The elimination of liability of directors for monetary damages in the circumstances described above may deter persons from bringing third party or derivative actions against directors to the extent such actions seek monetary damages.

Consistent with Section 145 of the DGCL, Article Tenth of the PHC Certificate provides that PHC will indemnify any person who is or was a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that such person is or was a director, officer, employee or agent of PHC or at the request of PHC is or was serving as a director, officer, employee, trustee, agent or fiduciary of another enterprise, against all expenses and liabilities, including counsel fees, reasonably incurred by such person in connection with such action, suit or proceeding if it is determined that such person (i) acted in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of PHC, and (ii) with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

PHC has also executed indemnification agreements in favor of certain of its officers, directors and key employees which, subject to DGCL, provide indemnification to such persons if any such person becomes a party to, or witness or other participant in, any threatened, pending, or completed action, suit or proceeding, or any inquiry or investigation that such person believes might lead to the institution of any action, suit or proceeding, by reason of any event or occurrence related to the fact that such person is or was a director, officer, employee, agent or fiduciary of PHC, or at the request of PHC is or was serving as a director, officer, employee, trustee, agent or fiduciary of another enterprise, or by reason of anything done or not done by such person in any such capacity.