SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14D-1

TENDER OFFER STATEMENT
PURSUANT TO SECTION 14(D)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

AND

SCHEDULE 13D

UNDER THE SECURITIES EXCHANGE ACT OF 1934

CAESARS WORLD, INC.
(NAME OF SUBJECT COMPANY)

ITT FLORIDA ENTERPRISES, INC.
ITT CORPORATION
(BIDDERS)

COMMON STOCK, PAR VALUE $0.10 PER SHARE
(INCLUDING THE ASSOCIATED JUNIOR PARTICIPATING PREFERRED STOCK PURCHASE RIGHTS)
(TITLE OF CLASS OF SECURITIES)

127695104
(CUSIP NUMBER OF CLASS OF SECURITIES)

WALTER DIEHL, ESQ.
ITT CORPORATION
1330 AVENUE OF THE AMERICAS
NEW YORK, NY 10019-5490
(212) 258-1000
(NAME, ADDRESS AND TELEPHONE NUMBER OF PERSONS AUTHORIZED TO
RECEIVE NOTICES AND COMMUNICATIONS ON BEHALF OF BIDDERS)

COPIES TO:
PHILIP A. GELSTON, ESQ.
CRAVATH, SWAINE & MOORE
WORLDWIDE PLAZA
825 EIGHTH AVENUE
NEW YORK, NEW YORK 10019
(212) 474-1000

CALCULATION OF FILING FEE

TRANSACTION VALUATION*	AMOUNT OF FILING FEE
$1,754,003,025	$350,801

* For purposes of calculating amount of filing fee only. The amount assumes the purchase of 25,985,230 shares of Common Stock, par value $0.10 per share, together with the associated junior participating preferred stock purchase rights issued pursuant to the Rights Agreement dated as of January 10, 1989, as amended, between the Company and First Chicago Trust Company of New York, at a price per Share of $67.50 in cash.

[_] Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid:	None	Filing Party:	N/A
Form or Registration No.:	N/A	Date Filed:	N/A

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- ---

CUSIP NO. 127695104

- ---

1. NAME OF REPORTING PERSONS: S.S. OR I.R.S.
   IDENTIFICATION NO. OF ABOVE PERSON:
   ITT Florida Enterprises, Inc. (13-3799502)

- ---

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) [_]
   (b) [_]

- ---

3. SEC USE ONLY

- ---

4. SOURCES OF FUNDS: AF

- ---

5. CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS ISREQUIRED PURSUANT TO ITEMS
   2(e) or 2(f) [_]

- ---

6. CITIZENSHIP OR PLACE OF ORGANIZATION:
   Florida

- ---

7. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING
   PERSON:
   6,379,438

- ---

8. CHECK IF THE AGGREGATE AMOUNT IN ROW (7) EXCLUDES
   CERTAIN SHARES [_]

- ---

9. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (7):
   Approximately 25.3% of the Shares Outstanding as of
   December 21, 1994.

- ---

10. TYPE OF REPORTING PERSON:
    CO

- ---

CUSIP NO. 127695104

- ---

1. NAME OF REPORTING PERSONS: S.S. OR I.R.S.
   IDENTIFICATION NO. OF ABOVE PERSON:
   ITT Corporation (13-5158950)

- ---

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) [_]
   (b) [_]

- ---

3. SEC USE ONLY:

- ---

4. SOURCES OF FUNDS:
   BK, WC, OO

- ---

5. CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS
   REQUIRED PURSUANT TO ITEMS 2(e) or 2(f) [_]

- ---

6. CITIZENSHIP OR PLACE OF ORGANIZATION:
   Delaware

- ---

7. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH
   REPORTING PERSON:
   6,379,438

- ---

8. CHECK IF THE AGGREGATE AMOUNT IN ROW (7)
   EXCLUDES CERTAIN SHARES: [_]

- ---

9. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (7)
   Approximately 25.3% of the Shares Outstanding as of
   December 21, 1994.

- ---

10. TYPE OF REPORTING PERSON:
    CO, HC

- ---

ITEM 1. SECURITY AND SUBJECT COMPANY.

(a) The name of the subject company is Caesars World, Inc., a Florida corporation (the "Company"), which has its principal executive offices at 1801 Century Park East, Los Angeles, California 90067.

(b) This Schedule 14D-1 relates to the offer by ITT Florida Enterprises, Inc., a Florida corporation (the "Purchaser"), to purchase all the outstanding shares of Common Stock (the "Common Stock"), par value $0.10 per share, of the Company, together with the associated junior participating preferred stock purchase rights (the "Rights") issued pursuant to the Rights Agreement dated as of January 10, 1989 (the "Rights Agreement"), between the Company and First Chicago Trust Company of New York, as Rights Agent (the Common Stock, together with the Rights being herein referred to as the "Shares"), at a price of $67.50 per Share, net to the seller in cash (the "Offer Price"), upon the terms and subject to the conditions set forth in the Offer to Purchase dated December 23, 1994 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer"), copies of which are attached hereto as Exhibits (a)(1) and (a)(2), respectively. Information concerning the number of outstanding Shares is set forth in the "Introduction" of the Offer to Purchase and is incorporated herein by reference.

(c) Information concerning the principal market in which the Shares are traded and the high and low sales prices of the Shares for each quarterly period during the past two years is set forth in Section 6 ("Price Range of the Shares; Dividends on the Shares") of the Offer to Purchase and is incorporated herein by reference.

ITEM 2. IDENTITY AND BACKGROUND.

(a)-(d) and (g) This Schedule 14D-1 is being filed by the Purchaser, a Florida corporation and ITT Corporation, a Delaware corporation ("Parent"). The Purchaser is a wholly owned subsidiary of Parent. Information concerning the principal business and the address of the principal offices of the Purchaser and Parent is set forth in Section 9 ("Certain Information Concerning the Purchaser and Parent") of the Offer to Purchase and is incorporated herein by reference. The names, business addresses, present principal occupations or employment, material occupations, positions, offices or employment during the last five years and citizenship of the directors and executive officers of the Purchaser and Parent are set forth in Schedule I to the Offer to Purchase and are incorporated herein by reference.

(e) and (f) The information set forth in Section 9 ("Certain Information Concerning the Purchaser and Parent") and Section 15 ("Certain Legal Matters") of the Offer to Purchase is incorporated herein by reference.

ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS WITH THE SUBJECT COMPANY.

(a) The information set forth in Section 11 ("Contacts with the Company; Background of the Offer") of the Offer to Purchase is incorporated herein by reference.

(b) The information set forth in Section 11 ("Contacts with the Company; Background of the Offer") and Section 12 ("Purpose of the Offer; The Merger Agreement; Other Agreements") of the Offer to Purchase is incorporated herein by reference.

ITEM 4. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

(a) and (b) The information set forth in Section 10 ("Source and Amount of Funds") of the Offer to Purchase is incorporated herein by reference.

(c) Not applicable.

ITEM 5. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE BIDDERS.

(a)-(e) The information set forth in Section 12 ("Purpose of the Offer; The Merger Agreement; Other Agreements") of the Offer to Purchase is incorporated herein by reference.

(f) and (g) The information set forth in Section 7 ("Effect of the Offer on the Market for the Shares, Stock Listing and Exchange Act Registration") of the Offer to Purchase is incorporated herein by reference.

ITEM 6. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.

(a) and (b) The information set forth in "Introduction", Section 9 ("Certain Information Concerning the Purchaser and Parent"), Section 12 ("Purpose of the Offer; The Merger Agreement; Other Agreements") and Schedule II of the Offer to Purchase is incorporated herein by reference.

ITEM 7. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE SUBJECT COMPANY'S SECURITIES.

The information set forth in "Introduction", Section 9 ("Certain Information Concerning the Purchaser and Parent"), Section 11 ("Contacts with the Company; Background of the Offer") and Section 12 ("Purpose of the Offer; The Merger Agreement; Other Agreements") of the Offer to Purchase is incorporated herein by reference.

ITEM 8. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED.

The information set forth in "Introduction" and Section 16 ("Fees and Expenses") of the Offer to Purchase is incorporated herein by reference.

ITEM 9. FINANCIAL STATEMENTS OF CERTAIN BIDDERS.

The information set forth in Section 9 ("Certain Information Concerning the Purchaser and Parent") of the Offer to Purchase is incorporated herein by reference.

ITEM 10. ADDITIONAL INFORMATION.

(a) The information set forth in Section 12 ("Purpose of the Offer; The Merger Agreement; Other Agreements") of the Offer to Purchase is incorporated herein by reference.

(b), (c) and (e) The information set forth in Section 15 ("Certain Legal Matters") of the Offer to Purchase is incorporated herein by reference.

(d) The information set forth in Section 7 ("Effect of the Offer on the Market for the Shares, Stock Listing and Exchange Act Registration") of the Offer to Purchase is incorporated herein by reference.

(f) The information set forth in the Offer to Purchase, the Letter of Transmittal, the Agreement and Plan of Merger dated as of December 19, 1994, among Parent, the Purchaser and the Company, copies of which are attached hereto as Exhibits (a)(1), (a)(2) and (c)(1), respectively, is incorporated herein by reference.

ITEM 11. MATERIAL TO BE FILED AS EXHIBITS.

(a)(1) Offer to Purchase.
(a)(2) Letter of Transmittal.
(a)(3) Notice of Guaranteed Delivery.
(a)(4) Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(a)(5) Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(a)(6) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
(a)(7) Form of Summary Advertisement dated December 23, 1994.
(a)(8) Text of Press Release dated December 19, 1994, issued by the Company and Parent.
(a)(9) Text of Press Release dated December 23, 1994 issued by the Company and Parent.
(b) None.
(c)(1) Agreement and Plan of Merger dated as of December 19, 1994, among Parent, the Purchaser and the Company.
(c)(2) Option Agreement dated as of December 19, 1994, among Parent, the Purchaser and the Company.
(d) None.
(e) Not applicable.
(f) None.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: December 23, 1994

ITT Florida Enterprises, Inc.

By:

Name: Richard S. Ward
Title: Executive Vice President

ITT Corporation

By:

Name: Richard S. Ward
Title: Executive Vice President

EXHIBIT INDEX

Exhibit(a)(1)

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED JUNIOR PARTICIPATING PREFERRED STOCK PURCHASE RIGHTS)

OF

CAESARS WORLD, INC.

AT

$67.50 NET PER SHARE

BY

ITT FLORIDA ENTERPRISES, INC.
A WHOLLY OWNED SUBSIDIARY OF

ITT CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE
AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY,
JANUARY 24, 1995, UNLESS EXTENDED.

THE BOARD OF DIRECTORS OF CAESARS WORLD, INC. HAS, BY UNANIMOUS VOTE OF ALL DIRECTORS, APPROVED THE OFFER AND THE MERGER REFERRED TO HEREIN AND DETERMINED THAT THE TERMS OF THE OFFER AND THE MERGER ARE FAIR TO, AND IN THE BEST INTERESTS OF, THE SHAREHOLDERS OF THE COMPANY AND RECOMMENDS THAT ALL SHAREHOLDERS OF THE COMPANY ACCEPT THE OFFER AND TENDER THEIR SHARES.

THE OFFER IS CONDITIONED UPON (i) THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER THAT NUMBER OF SHARES WHICH WOULD REPRESENT AT LEAST A MAJORITY OF ALL THEN OUTSTANDING SHARES ON A FULLY DILUTED BASIS, (ii) THE GAMING CONDITION (AS DEFINED HEREIN), (iii) THE EXPIRATION OR TERMINATION OF ALL WAITING PERIODS IMPOSED BY THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976, AS AMENDED, AND THE REGULATIONS THEREUNDER AND (iv) THE OTHER CONDITIONS DESCRIBED HEREIN.

NONE OF THE GAMING AUTHORITIES (AS DEFINED HEREIN) HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFER TO PURCHASE OR THE MERITS OF THE OFFER AND THE MERGER REFERRED TO HEREIN. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

IMPORTANT

Any shareholder desiring to tender all or any portion of such shareholder's Shares (as defined herein) should either (1) complete and sign the Letter of Transmittal or a facsimile copy thereof in accordance with the instructions in the Letter of Transmittal, have such shareholder's signature thereon guaranteed if required by Instruction 1 to the Letter of Transmittal, mail or deliver the Letter of Transmittal or such facsimile and any other required documents to the Depositary and either deliver the certificates for such Shares to the Depositary along with the Letter of Transmittal or facsimile or deliver such Shares pursuant to the procedure for book-entry transfer set forth in Section 2 or (2) request such shareholder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for such shareholder. A shareholder having Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if such shareholder desires to tender such Shares.

A shareholder who desires to tender Shares and whose certificates for such Shares are not immediately available or who cannot comply in a timely manner with the procedure for book-entry transfer, or who cannot deliver all required documents to the Depositary prior to the expiration of the Offer, may tender such Shares by following the procedure for guaranteed delivery set forth in Section 2.

Questions and requests for assistance or for additional copies of this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may be directed to the Information Agent or to the Dealer Managers at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase.

THE DEALER MANAGERS FOR THE OFFER ARE:

BEAR, STEARNS & CO. INC. BT SECURITIES CORPORATION

December 23, 1994

TABLE OF CONTENTS

To the Holders of Common Stock
of Caesars World, Inc.:

INTRODUCTION

THE OFFER

ITT Florida Enterprises, Inc., a Florida corporation (the "Purchaser") and a wholly owned subsidiary of ITT Corporation, a Delaware corporation ("Parent"), hereby offers to purchase all outstanding shares of Common Stock (the "Common Stock"), par value $.10 per share, of Caesars World, Inc., a Florida corporation (the "Company"), together with the associated junior participating preferred stock purchase rights (the "Rights") issued pursuant to the Rights Agreement dated as of January 10, 1989 (the "Rights Agreement"), between the Company and First Chicago Trust Company of New York, as Rights Agent (the Common Stock, together with the associated Rights being herein referred to as the "Shares"), at $67.50 per Share (the "Offer Price"), net to the seller in cash, upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which, together with any amendments or supplements hereto or thereto, collectively constitute the "Offer").

Tendering shareholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, transfer taxes on the purchase of Shares pursuant to the Offer. The Purchaser will pay all fees and expenses of Bear, Stearns & Co. Inc. and BT Securities Corporation, who are acting as Dealer Managers (the "Dealer Managers"), Bankers Trust Company, which is acting as the Depositary (the "Depositary"), and Georgeson & Company Inc., which is acting as Information Agent (the "Information Agent"), incurred in connection with the Offer. See Section 16.

THE BOARD OF DIRECTORS OF THE COMPANY HAS, BY UNANIMOUS VOTE OF ALL DIRECTORS, APPROVED THE OFFER AND THE MERGER (AS DEFINED BELOW) AND DETERMINED THAT THE TERMS OF THE OFFER AND THE MERGER ARE FAIR TO, AND IN THE BEST INTERESTS OF, THE SHAREHOLDERS OF THE COMPANY AND RECOMMENDS THAT SHAREHOLDERS OF THE COMPANY ACCEPT THE OFFER AND TENDER THEIR SHARES.

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, THE COMPANY'S FINANCIAL ADVISOR, HAS DELIVERED TO THE BOARD OF DIRECTORS OF THE COMPANY ITS WRITTEN OPINION THAT, BASED UPON CERTAIN CONSIDERATIONS AND ASSUMPTIONS, AS OF THE DATE OF SUCH OPINION, THE PROPOSED CASH CONSIDERATION TO BE RECEIVED BY THE HOLDERS OF SHARES IN THE OFFER AND THE MERGER IS FAIR TO SUCH SHAREHOLDERS FROM A FINANCIAL POINT OF VIEW. SUCH OPINION IS SET FORTH IN FULL AS AN EXHIBIT TO THE COMPANY'S SOLICITATION/RECOMMENDATION STATEMENT ON SCHEDULE 14D-9 (THE "SCHEDULE 14D-9"), WHICH IS BEING MAILED TO SHAREHOLDERS OF THE COMPANY TOGETHER WITH THIS OFFER TO PURCHASE.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE (AS DEFINED IN SECTION 1) THAT NUMBER OF SHARES (THE "MINIMUM NUMBER OF SHARES") WHICH WOULD REPRESENT AT LEAST A MAJORITY OF ALL OUTSTANDING SHARES ON A FULLY DILUTED BASIS (THE "MINIMUM CONDITION"). THE PURCHASER RESERVES THE RIGHT (SUBJECT TO OBTAINING THE CONSENT OF THE COMPANY AND THE APPLICABLE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION")), WHICH IT PRESENTLY HAS NO INTENTION OF EXERCISING, TO WAIVE OR REDUCE THE MINIMUM CONDITION AND TO ELECT TO PURCHASE, PURSUANT TO THE OFFER, FEWER THAN THE MINIMUM NUMBER OF SHARES. SEE SECTIONS 1 AND 14. IF THE PURCHASER PURCHASES THE MINIMUM NUMBER OF SHARES IN THE OFFER, IT WILL BE ABLE TO EFFECT THE MERGER WITHOUT THE AFFIRMATIVE VOTE OF ANY OTHER SHAREHOLDER OF THE COMPANY. SEE SECTION 12.

THE OFFER IS ALSO CONDITIONED, AS SET FORTH MORE SPECIFICALLY IN SECTION 14, UPON ALL CONSENTS, APPROVALS, ORDERS OR AUTHORIZATIONS OF, OR REGISTRATIONS, DECLARATIONS OR FILING WITH, ANY GOVERNMENTAL AUTHORITY (THE "GAMING AUTHORITIES") WITH JURISDICTION IN RESPECT OF THE COMPANY'S ACTIVE GAMING OPERATIONS REQUIRED OR NECESSARY IN CONNECTION WITH THE OFFER, THE MERGER AND THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT (INCLUDING THE CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS

OF THE COMPANY) HAVING BEEN OBTAINED AND BEING IN FULL FORCE AND EFFECT AND, IN THE CASE OF NEW JERSEY, THE NEW JERSEY CASINO CONTROL COMMISSION HAVING APPROVED ALL ARRANGEMENTS WITH RESPECT TO A TRUST HOLDING SHARES (OR IF APPROVED BY THE NEW JERSEY AUTHORITIES, SHARES OF A SUBSIDIARY OF THE COMPANY) AND THE DIRECTORS OF THE PURCHASER HAVING BEEN QUALIFIED, ON A PERMANENT OR TEMPORARY BASIS, TO SERVE AS DIRECTORS OF A COMPANY (INCLUDING THE COMPANY) THAT EITHER DIRECTLY OR THROUGH ITS SUBSIDIARY HOLDS A NEW JERSEY CASINO LICENSE (COLLECTIVELY, THE "GAMING CONDITION"). PARENT IS CURRENTLY REGISTERED IN NEVADA AS A PUBLICLY TRADED CORPORATION AND HAS BEEN FOUND SUITABLE TO OWN THE SHARES OF A SUBSIDIARY THAT HAS LICENSED GAMING FACILITIES IN NEVADA. ACCORDINGLY, PARENT DOES NOT EXPECT SIGNIFICANT DELAYS IN OBTAINING NECESSARY APPROVALS IN JANUARY 1995. HOWEVER, THERE CAN BE NO ASSURANCES THAT SUCH APPROVALS WILL BE GRANTED OR WILL BE GRANTED WITHIN SUCH TIME. SEE SECTION 12, SECTION 14 AND SECTION 15.

The Offer is also conditioned upon the expiration or termination of all waiting periods imposed by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations thereunder (the "HSR Act').

The Offer is being made pursuant to the Agreement and Plan of Merger dated as of December 19, 1994 (the "Merger Agreement"), among Parent, the Purchaser and the Company pursuant to which, following the consummation of the Offer and the satisfaction or waiver of certain conditions, the Purchaser will be merged with and into the Company, with the Company surviving the merger (as such, the "Surviving Corporation") as a wholly owned subsidiary of Parent (the "Merger"). In the Merger, each outstanding Share (other than Shares held by the Company as treasury stock or by any subsidiary of the Company, Parent, the Purchaser or any other subsidiary of Parent or by shareholders, if any, who are entitled to and who properly exercise dissenters' rights under Florida law) will be converted into the right to receive the per Share price paid in the Offer in cash, without interest (the "Merger Consideration"). See Section 12.

In connection with the execution of the Merger Agreement, Parent, the Purchaser and the Company have entered into an Option Agreement dated as of December 19, 1994 (the "Option Agreement"), pursuant to which the Company has agreed to grant the Purchaser an irrevocable option (the "Option") to purchase from the Company up to 5,000,000 newly issued shares of Common Stock plus all Shares held in treasury (1,354,538 Shares at December 13, 1994), exercisable if Shares are accepted for payment pursuant to the Offer at a price of $67.50 per Share.

In connection with the Merger Agreement, the Board of Directors of the Company adopted a resolution rendering the Rights Agreement inapplicable with respect to the Offer, the Merger, the Option Agreement and the other transactions contemplated by the Merger Agreement. Pursuant to the Merger Agreement, the Company has also agreed that the Board of Directors of the Company will take all further action reasonably requested by the Parent to render the Rights inapplicable to the Offer, the Merger, the Option Agreement and the other transactions contemplated by the Merger Agreement.

The Merger is subject to a number of conditions, including approval by shareholders of the Company, if such approval is required by applicable law. In the event the Purchaser acquires 80% or more of the outstanding Shares pursuant to the Offer, exercise of the Option or otherwise, the Purchaser would be able to effect the Merger pursuant to the short-form merger provisions of the Florida Business Corporation Act (the "FBCA") without any action by any other shareholder of the Company. Based upon the representations in the following paragraph, if the Purchaser acquires at least 14,433,646 Shares pursuant to the Offer, it could exercise the Option for a sufficient number of additional Shares to result in the Purchaser owning at least 80% of the then outstanding Shares. See Section 12.

The Company has represented to the Purchaser that as of December 13, 1994, there were 25,120,963 Shares issued and outstanding, 774,926 Shares reserved for issuance upon the exercise of outstanding stock options, 89,341 Shares reserved for issuance in respect of contingent Shares and 250,000 shares of preferred stock reserved for issuance in connection with the Rights. Based upon the foregoing, the Purchaser believes that approximately 12,992,366 Shares constitutes a majority of the outstanding Shares on a fully diluted basis. Accordingly, the Minimum Condition will be satisfied if at least that number Shares are validly tendered and

not withdrawn prior to the Expiration Date. If the Minimum Condition is satisfied and the Purchaser accepts for payment Shares tendered pursuant to the Offer, the Purchaser will be able to elect a majority of the members of the Company's Board of Directors and to effect the Merger without the affirmative vote of any other shareholder of the Company.

The Merger Agreement and the Option Agreement are more fully described in Section 12. Certain Federal income tax consequences of the sale of Shares pursuant to the Offer and the exchange of Shares for the Merger Consideration pursuant to the Merger are described in Section 5.

THIS OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION WHICH SHOULD BE READ BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

1. TERMS OF THE OFFER

Upon the terms and subject to the conditions of the Offer, the Purchaser will accept for payment and pay for all Shares validly tendered prior to the Expiration Date and not theretofore withdrawn in accordance with Section 3. The term "Expiration Date" means 12:00 Midnight, New York City time, on Tuesday, January 24, 1995, unless and until the Purchaser shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by the Purchaser, shall expire.

Subject to the terms of the Merger Agreement and the applicable rules and regulations of the Commission, the Purchaser expressly reserves the right, in its sole discretion, at any time and from time to time, and regardless of whether or not any of the events set forth in Section 14 hereof shall have occurred or shall have been determined by the Purchaser to have occurred, to (i) extend the period of time during which the Offer is open, and thereby delay acceptance for payment of and the payment for any Shares, by giving oral or written notice of such extension to the Depositary and (ii) amend the Offer in any other respect by giving oral or written notice of such amendment to the Depositary. THE PURCHASER SHALL NOT HAVE ANY OBLIGATION TO PAY INTEREST ON THE PURCHASE PRICE FOR TENDERED SHARES, WHETHER OR NOT THE PURCHASER EXERCISES ITS RIGHT TO EXTEND THE OFFER.

If by 12:00 Midnight, New York City time, on Tuesday, January 24, 1995 (or any other date or time then set as the Expiration Date), any or all conditions to the Offer have not been satisfied or waived, the Purchaser reserves the right (but shall not be obligated), subject to the terms and conditions contained in the Merger Agreement and to the applicable rules and regulations of the Commission, to (i) terminate the Offer and not accept for payment any Shares and return all tendered Shares to tendering shareholders, (ii) waive all the unsatisfied conditions and, subject to complying with the terms of the Merger Agreement and the applicable rules and regulations of the Commission, accept for payment and pay for all Shares validly tendered prior to the Expiration Date and not theretofore withdrawn, (iii) extend the Offer and, subject to the right of shareholders to withdraw Shares until the Expiration Date, retain the Shares that have been tendered during the period or periods for which the Offer is extended or (iv) amend the Offer.

There can be no assurance that the Purchaser will exercise its right to extend the Offer, although the Purchaser does expect to extend the Offer if additional time is required to satisfy the Gaming Condition. See Section 15. Any extension, waiver, amendment or termination will be followed as promptly as practicable by public announcement. In the case of an extension, Rule 14e-1(d) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires that the announcement be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date in accordance with the public announcement requirements of Rule 14d-4(c) under the Exchange Act. Subject to applicable law (including Rules 14d-4(c) and 14d-6(d) under the Exchange Act, which require that any material change in the information published, sent or given to shareholders in connection with the Offer be promptly disseminated to shareholders in a manner reasonably designed to inform shareholders of such change), and

without limiting the manner in which the Purchaser may choose to make any public announcement, the Purchaser will not have any obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to the Dow Jones News Service.

In the Merger Agreement the Purchaser has agreed that it will not, without the prior consent of the Company, extend the Offer, except that, without the consent of the Company, the Purchaser may extend the Offer (i) beyond any scheduled Expiration Date for a period not to exceed 20 business days if at such scheduled Expiration Date any of the conditions to the Purchaser's obligation to accept Shares for payment are not satisfied or waived, until such time as such conditions are satisfied or waived, (ii) for any period required by any rule, regulation, interpretation or position of the Commission or the staff thereof applicable to the Offer and (iii) for an aggregate period of not more than 15 business days beyond the latest expiration date that would otherwise be permitted under the terms of the Merger Agreement as described in this sentence in the event that there shall not have been tendered sufficient Shares so that the Merger could be effected as a "short-form" merger as described in Section 12. As used in this Offer to Purchase, "business day" has the meaning set forth in Rule 14d-1 under the Exchange Act.

In addition, the Purchaser has agreed in the Merger Agreement that it will not, without the consent of the Company, (i) reduce the number of Shares subject to the Offer, (ii) reduce the Offer Price, (iii) modify or add to the conditions set forth in Section 14 of this Offer to Purchase, (iv) except as provided in the preceding paragraph, extend the Offer, (v) change the form of consideration payable in the Offer or (vi) otherwise amend the Offer in any manner adverse to the Company's shareholders.

If the Purchaser extends the Offer or if the Purchaser (whether before or after its acceptance for payment of Shares) is delayed in its acceptance for payment of or payment for Shares or it is unable to pay for Shares pursuant to the Offer for any reason, then, without prejudice to the Purchaser's rights under the Offer, the Depositary may retain tendered Shares on behalf of the Purchaser, and such Shares may not be withdrawn except to the extent tendering shareholders are entitled to withdrawal rights as described in Section 3. However, the ability of the Purchaser to delay the payment for Shares that the Purchaser has accepted for payment is limited by Rule 14e-1 under the Exchange Act, which requires that a bidder pay the consideration offered or return the securities deposited by or on behalf of holders of securities promptly after the termination or withdrawal of such bidder's offer.

If the Purchaser makes a material change in the terms of the Offer or the information concerning the Offer or waives a material condition of the Offer (including, with the Company's consent, a waiver of the Minimum Condition), the Purchaser will disseminate additional tender offer materials and extend the Offer to the extent required by Rules 14d-4(c), 14d-6(d) and 14e-1 under the Exchange Act. The minimum period during which the Offer must remain open following material changes in the terms of the Offer or information concerning the Offer, other than a change in price or a change in the percentage of securities sought, will depend upon the facts and circumstances then existing, including the relative materiality of the changed terms or information. With respect to a change in price or a change in the percentage of securities sought, a minimum period of 10 business days is generally required to allow for adequate dissemination to shareholders.

Consummation of the Offer is conditioned upon satisfaction of the Minimum Condition, the Gaming Condition, the expiration or termination of all waiting periods imposed by the HSR Act and the other conditions set forth in Section 14. Subject to the terms and conditions contained in the Merger Agreement, the Purchaser reserves the right (but shall not be obligated) to waive any or all such conditions. However, if the Purchaser (with the Company's consent) waives or amends the Minimum Condition during the last five business days during which the Offer is open, the Purchaser will be required to extend the Expiration Date so that the Offer will remain open for at least five business days after the announcement of such waiver or amendment is first published, sent or given to holders of Shares and may also be required to extend the Offer if other conditions are waived, depending upon the timing and materiality of the waiver.

The Company has provided the Purchaser with the Company's shareholder lists and security position listings for the purpose of disseminating the Offer to holders of the Shares. This Offer to Purchase, the related

Letter of Transmittal and other relevant materials will be mailed by the Purchaser to record holders of Shares and will be furnished by the Purchaser to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the shareholder lists or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

2. PROCEDURE FOR TENDERING SHARES

Valid Tender. For a shareholder validly to tender Shares pursuant to the Offer, either (i) a properly completed and duly executed Letter of Transmittal (or facsimile thereof), together with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message (as defined below)) and any other documents required by the Letter of Transmittal, must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase and either certificates for tendered Shares must be received by the Depositary at one of such addresses or such Shares must be delivered pursuant to the procedure for book-entry transfer set forth below (and a Book-Entry Confirmation (as defined below) received by the Depositary), in each case prior to the Expiration Date, or (ii) the tendering shareholder must comply with the guaranteed delivery procedure set forth below.

The Depositary will establish an account with respect to the Shares at The Depository Trust Company and the Midwest Securities Trust Company (the "Book-Entry Transfer Facilities") for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in any of the Book-Entry Transfer Facilities' systems may make book-entry delivery of Shares by causing a Book-Entry Transfer Facility to transfer such Shares into the Depositary's account in accordance with such Book-Entry Transfer Facility's procedures for such transfer. However, although delivery of Shares may be effected through book-entry transfer into the Depositary's account at a Book-Entry Transfer Facility, the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees (or an Agent's Message) and any other required documents, must, in any case, be transmitted to, and received by, the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date, or the tendering shareholder must comply with the guaranteed delivery procedure described below. The confirmation of a book-entry transfer of Shares into the Depositary's account at a Book-Entry Transfer Facility as described above is referred to herein as a "Book-Entry Confirmation". DELIVERY OF DOCUMENTS TO A BOOK-ENTRY TRANSFER FACILITY IN ACCORDANCE WITH SUCH BOOK-ENTRY TRANSFER FACILITY'S PROCEDURES DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

The term "Agent's Message" means a message transmitted by a Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgement from the participant in such Book-Entry Transfer Facility tendering the Shares that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Purchaser may enforce such agreement against the participant.

THE METHOD OF DELIVERY OF SHARES, THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH ANY BOOK-ENTRY TRANSFER FACILITY, IS AT THE ELECTION AND RISK OF THE TENDERING SHAREHOLDER. SHARES WILL BE DEEMED DELIVERED ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY (INCLUDING, IN THE CASE OF A BOOK-ENTRY TRANSFER, BY BOOK-ENTRY CONFIRMATION). IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

Signature Guarantees. No signature guarantee is required on the Letter of Transmittal if (i) the Letter of Transmittal is signed by the registered holder of Shares (which term, for purposes of this Section, includes any participant in any of the Book-Entry Transfer Facilities' systems whose name appears on a security position listing as the owner of the Shares) tendered therewith and such registered holder has not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the Letter of Transmittal or (ii) such Shares are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the

Security Transfer Agents Medallion Program or the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program (an "Eligible Institution"). In all other cases, all signatures on the Letters of Transmittal must be guaranteed by an Eligible Institution. See Instructions 1 and 5 to the Letter of Transmittal. If the certificates for Shares are registered in the name of a person other than the signer of the Letter of Transmittal, or if payment is to be made or certificates for Shares not tendered or not accepted for payment are to be issued to a person other than the registered holder of the certificates surrendered, the tendered certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered holders or owners appear on the certificates, with the signatures on the certificates or stock powers guaranteed as aforesaid. See Instruction 5 to the Letter of Transmittal.

Guaranteed Delivery. If a shareholder desires to tender Shares pursuant to the Offer and such shareholder's certificates for Shares are not immediately available or the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Depositary prior to the Expiration Date, such shareholder's tender may be effected if all the following conditions are met:

(i) such tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by the Purchaser is received by the Depositary, as provided below, prior to the Expiration Date; and

(iii) the certificates for all tendered Shares, in proper form for transfer (or a Book-Entry Confirmation with respect to such Shares), together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees (or in the case of book-entry transfer, an Agent's Message) and any other documents required by the Letter of Transmittal, are received by the Depositary within five trading days on the New York Stock Exchange (the "NYSE") after the date of execution of such Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand to the Depositary or transmitted by telegram, facsimile transmission or mail to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in such Notice of Guaranteed Delivery.

Notwithstanding any other provision hereof, payment for Shares accepted for payment pursuant to the Offer will in all cases be made only after timely receipt by the Depositary of (i) certificates for (or a timely Book-Entry Confirmation with respect to) such Shares, (ii) a Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message) and (iii) any other documents required by the Letter of Transmittal. Accordingly, tendering shareholders may be paid at different times depending upon when certificates for Shares or Book-Entry Confirmations are actually received by the Depositary. UNDER NO CIRCUMSTANCES WILL INTEREST BE PAID ON THE PURCHASE PRICE OF THE SHARES TO BE PAID BY THE PURCHASER, REGARDLESS OF ANY EXTENSION OF THE OFFER OR ANY DELAY IN MAKING SUCH PAYMENT.

The valid tender of Shares pursuant to one of the procedures described above will constitute a binding agreement between the tendering shareholder and the Purchaser upon the terms and subject to the conditions of the Offer.

Appointment. By executing a Letter of Transmittal as set forth above, the tendering shareholder will irrevocably appoint designees of the Purchaser as such shareholder's attorneys-in-fact and proxies in the manner set forth in the Letter of Transmittal, each with full power of substitution, to the full extent of such shareholder's rights with respect to the Shares tendered by such shareholder and accepted for payment by the Purchaser and with respect to any and all other Shares or other securities or rights issued or issuable in respect of such Shares on or after December 19, 1994. All such proxies shall be considered coupled with an

interest in the tendered Shares and other securities or rights. Such appointment will be effective when, and only to the extent that, the Purchaser accepts for payment Shares tendered by such shareholder as provided herein. Upon such acceptance for payment, all prior powers of attorney and proxies given by such shareholder with respect to such Shares or other securities or rights will, without further action, be revoked and no subsequent powers of attorney and proxies may be given (and, if given, will not be deemed effective). The designees of the Purchaser will thereby be empowered to exercise all voting and other rights with respect to such Shares or other securities or rights in respect of any annual, special or adjourned meeting of the Company's shareholders, or otherwise, as they in their sole discretion deem proper. The Purchaser reserves the right to require that, in order for Shares to be deemed validly tendered, immediately upon the Purchaser's acceptance for payment of such Shares, the Purchaser must be able to exercise full voting and other rights with respect to such Shares and other securities or rights, including voting at any meeting of shareholders then scheduled.

Determination of Validity. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any tender of Shares will be determined by the Purchaser in its sole discretion, which determination will be final and binding. The Purchaser reserves the absolute right to reject any or all tenders determined by it not to be in proper form or the acceptance for payment of or payment for which may, in the opinion of the Purchaser's counsel, be unlawful. The Purchaser also reserves the absolute right to waive any defect or irregularity in any tender with respect to any particular Shares, whether or not similar defects or irregularities are waived in the case of other Shares. No tender of Shares will be deemed to have been validly made until all defects or irregularities relating thereto have been cured or waived. None of the Purchaser, Parent, the Depositary, the Information Agent, either Dealer Manager or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. The Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions thereto) will be final and binding.

Backup Withholding. In order to avoid "backup withholding" of Federal income tax on payments of cash pursuant to the Offer, a shareholder surrendering Shares in the Offer must provide the Depositary with such shareholder's correct taxpayer identification number ("TIN") on a Substitute Form W-9 and certify under penalties of perjury that such TIN is correct and that such shareholder is not subject to backup withholding. Certain shareholders (including, among others, all corporations and certain foreign individuals and entities) are not subject to backup withholding. If a shareholder does not provide its correct TIN or fails to provide the certifications described above, the Internal Revenue Service ("IRS") may impose a penalty on such shareholder and payment of cash to such shareholder pursuant to the Offer may be subject to backup withholding at a rate of 31%. All shareholders surrendering Shares pursuant to the Offer should complete and sign the main signature form and the Substitute Form W-9 included as part of the Letter of Transmittal to provide the information and certification necessary to avoid backup withholding (unless an applicable exemption exists and is proved in a manner satisfactory to the Purchaser and the Depositary). Noncorporate foreign shareholders should complete and sign the main signature form and a Form W-8, Certificate of Foreign Status, a copy of which may be obtained from the Depositary, in order to avoid backup withholding. See Instruction 9 to the Letter of Transmittal. For other Federal income tax consequences, see Section 5.

3. WITHDRAWAL RIGHTS

Except as otherwise provided in this Section 3, tenders of Shares are irrevocable. Shares tendered pursuant to the Offer may be withdrawn pursuant to the procedures set forth below at any time prior to the Expiration Date and, unless theretofore accepted for payment and paid for by the Purchaser pursuant to the Offer, may also be withdrawn at any time after February 20, 1995.

For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase and must specify the name of the person having tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of the Shares to be withdrawn, if different

from the name of the person who tendered the Shares. If certificates for Shares have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such certificates, the serial numbers shown on such certificates must be submitted to the Depositary and, unless such Shares have been tendered by an Eligible Institution, the signatures on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been delivered pursuant to the procedure for book-entry transfer as set forth in Section 2, any notice of withdrawal must also specify the name and number of the account at the appropriate Book-Entry Transfer Facility to be credited with the withdrawn Shares and otherwise comply with such Book-Entry Transfer Facility's procedures. Withdrawals of tenders of Shares may not be rescinded, and any Shares properly withdrawn will thereafter be deemed not validly tendered for any purposes of the Offer. However, withdrawn Shares may be retendered by again following one of the procedures described in Section 2 at any time prior to the Expiration Date.

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Purchaser in its sole discretion, which determination will be final and binding. None of the Purchaser, Parent, the Depositary, the Information Agent, either Dealer Manager, or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

4. ACCEPTANCE FOR PAYMENT AND PAYMENT

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the Purchaser will accept for payment and will pay for all Shares validly tendered prior to the Expiration Date and not properly withdrawn in accordance with Section 3 promptly after the Expiration Date. Any determination concerning the satisfaction of such terms and conditions will be within the sole discretion of the Purchaser, and such determination will be final and binding on all tendering shareholders. See Sections 1 and 14. The Purchaser expressly reserves the right, in its sole discretion, to delay acceptance for payment of or payment for Shares in order to comply in whole or in part with any applicable law, including, without limitation, the HSR Act and applicable Gaming Laws (as defined herein). Any such delays will be effected in compliance with Rule 14e-1(c) under the Exchange Act (relating to the Purchaser's obligation to pay for or return tendered Shares promptly after the termination or withdrawal of the Offer).

Parent filed a Notification and Report Form with respect to the Offer under the HSR Act on December 21, 1994. The waiting period under the HSR Act with respect to the Offer will expire at 11:59 p.m., New York City time, on the 15th day after the date such form was filed, unless early termination of the waiting period is granted. In addition, the Antitrust Division of the Department of Justice (the "Antitrust Division") or the Federal Trade Commission (the "FTC") may extend the waiting period by requesting additional information or documentary material from Parent. If such a request is made, such waiting period will expire at 11:59 p.m., New York City time, on the 10th day after substantial compliance by Parent with such request. See Section 15 hereof for additional information concerning the HSR Act and the applicability of the antitrust laws to the Offer.

Regulations of the Nevada Gaming Commission (the "Nevada Commission") provide that control of a publicly traded corporation registered or licensed to directly or indirectly own or operate casino gaming facilities in Nevada, cannot be acquired without the prior approval of the Nevada Commission. Parent and Purchaser have filed their applications for the necessary approvals of the Nevada State Gaming Control Board (the "Nevada Board") and the Nevada Commission, and, assuming favorable recommendations from the Nevada Board, anticipate receiving the required approvals from the Nevada Commission in January 1995. The Nevada Board reviews and investigates applications for such approvals and makes recommendations on such applications to the Nevada Commission for final action. According to the Nevada Gaming Control Act and the regulations thereunder (the "Nevada Act"), the Nevada Commission is required to use its best efforts to take final action upon an application for approval of an acquisition of control by a person making a tender offer, within 60 days of the date of filing such application and payment of the required fees. If the Nevada

Commission cannot take final action within such period, the Nevada Commission is required to provide the applicant with written notice of a time certain for completion of the Nevada Board's investigation and final action by the Nevada Commission. Parent is currently registered in Nevada as a publicly traded corporation and has been found suitable to own the shares of a subsidiary that has licensed gaming facilities in Nevada. Accordingly, Parent does not expect significant delays in obtaining necessary approvals in January 1995. However, there can be no assurances that such approvals will be granted or will be granted within such time. Furthermore, any such approval, if granted, does not constitute a finding, recommendation or approval by the Nevada Board or the Nevada Commission as to the accuracy or adequacy of the Offer to Purchase or the merits of the Offer and the Merger. Any representation to the contrary is unlawful.

As a result of the transfer of Shares to the Purchaser pursuant to the Offer and the Merger, Parent and the Purchaser will be required to timely file a completed application with the New Jersey Casino Control Commission (the "CCC") for qualification as a holding and intermediary company, respectively, of a New Jersey casino licensee, which application must include a fully executed and approved, but not operative, trust agreement. Such completed application will require that the CCC render decisions with respect to the interim authorization (within 120 days of its submission) and plenary qualification (within twelve months of its decision with respect to interim authorization) of Parent and the Purchaser as holding and intermediary companies respectively of a New Jersey casino licensee. Although the Merger Agreement provides the Purchaser with the option to either (i) seek regulatory approval of a trust covering all Shares acquired pursuant to the Offer and the Merger or (ii) seek such approval with respect to a trust covering all common stock of the Company's qualified New Jersey intermediary company, Parent and the Purchaser do not intend to pursue the latter option. Accordingly, Parent intends to prepare a trust agreement that will provide for the deposit of tendered Shares in trust pending plenary qualification by the CCC. The trustee may not exercise rights incident to the ownership of the property unless the CCC orders that the trust agreement become operative, which order may not be made unless the CCC denies interim authorization; finds reasonable cause to believe that any person required to be qualified may be found unqualified; or denies plenary qualification. The CCC may also permit, upon written petition of the New Jersey casino licensee, a proposed but not yet qualified new director of the Company or its qualified New Jersey intermediary company to perform duties and exercise powers relating to such position pending plenary qualification provided that such proposed director timely files a completed application with the CCC. The Merger Agreement provides that Parent shall use its reasonable efforts to cause the foregoing trust arrangements to be in full force and effect as soon as practicable after the date of the Merger Agreement. Accordingly, Parent intends to cause appropriate applications to be made to the CCC as soon as practicable and anticipates a decision from the CCC with respect to the trust arrangements, Parent's trustee designate, interim authorization and proposed new directors of the Company and its qualified New Jersey intermediary company during January 1995. There can be no assurance that a favorable decision will be granted or will be granted within such time.

See Section 15 for further information concerning the need for approvals under various Gaming Laws (as defined in the Merger Agreement) prior to the purchase of Shares pursuant to the Offer.

In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) certificates for such Shares (or timely Book-Entry Confirmation of a transfer of such Shares as described in Section 2), (ii) a Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees and (iii) any other documents required by the Letter of Transmittal. The per Share consideration paid to any shareholder pursuant to the Offer will be the highest per Share consideration paid to any other shareholder pursuant to the Offer.

For purposes of the Offer, the Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares properly tendered to the Purchaser and not withdrawn as, if and when the Purchaser gives oral or written notice to the Depositary of the Purchaser's acceptance for payment of such Shares. Payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the purchase price therefor with the Depositary, which will act as agent for tendering shareholders for the purpose of receiving payment

from the Purchaser and transmitting payment to tendering shareholders. UNDER NO CIRCUMSTANCES WILL INTEREST BE PAID ON THE PURCHASE PRICE OF THE SHARES TO BE PAID BY THE PURCHASER, REGARDLESS OF ANY EXTENSION OF THE OFFER OR ANY DELAY IN MAKING SUCH PAYMENT.

If the Purchaser is delayed in its acceptance for payment of or payment for Shares or is unable to accept for payment or pay for Shares pursuant to the Offer for any reason, then, without prejudice to the Purchaser's rights under the Offer (but subject to compliance with Rule 14e-1(c) under the Exchange Act, which requires that a tender offeror pay the consideration offered or return the tendered securities promptly after the termination or withdrawal of a tender offer), the Depositary may, nevertheless, on behalf of the Purchaser, retain tendered Shares, and any such Shares may not be withdrawn except to the extent tendering shareholders are entitled to exercise, and duly exercise, withdrawal rights as described in Section 3.

If any tendered Shares are not purchased pursuant to the Offer because of an invalid tender or otherwise, certificates for any such Shares will be returned, without expense to the tendering shareholder (or, in the case of Shares delivered by book-entry transfer of such Shares into the Depositary's account at a Book-Entry Transfer Facility pursuant to the procedure set forth in Section 2, such Shares will be credited to an account maintained at the appropriate Book-Entry Transfer Facility), as promptly as practicable after the expiration or termination of the Offer.

The Purchaser reserves the right to transfer or assign, in whole or from time to time in part, to Parent, or to one or more direct or indirect wholly owned subsidiaries of Parent, the right to purchase Shares tendered pursuant to the Offer, but any such transfer or assignment will not relieve the Purchaser of its obligations under the Offer and will in no way prejudice the rights of tendering shareholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer.

5. CERTAIN FEDERAL INCOME TAX CONSEQUENCES

Sales of Shares pursuant to the Offer (and the receipt of the right to receive cash by the shareholders of the Company pursuant to the Merger) will be taxable transactions for Federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and may also be taxable transactions under applicable state, local, foreign and other tax laws. For Federal income tax purposes, a tendering shareholder will generally recognize gain or loss equal to the difference between the amount of cash received by the shareholder pursuant to the Offer (or to be received pursuant to the Merger) and the aggregate tax basis in the Shares tendered by the shareholder and purchased pursuant to the Offer (or cancelled pursuant to the Merger). Gain or loss will be calculated separately for each block of Shares tendered and purchased pursuant to the Offer (or cancelled pursuant to the Merger).

If tendered Shares are held by a tendering shareholder as capital assets, gain or loss recognized by the tendering shareholder will be capital gain or loss, which will be long-term capital gain or loss if the tendering shareholder's holding period for the Shares exceeds one year. Under present law, long-term capital gains recognized by a tendering individual shareholder will generally be taxed at a maximum Federal marginal tax rate of 28%, and long-term capital gains recognized by a tendering corporate shareholder will be taxed at a maximum Federal marginal tax rate of 35%.

A shareholder (other than certain exempt shareholders including, among others, all corporations and certain foreign individuals) that tenders Shares may be subject to 31% backup withholding unless the shareholder provides its TIN and certifies that such number is correct or properly certifies that it is awaiting a TIN. A shareholder that does not furnish its TIN may be subject to a penalty imposed by the IRS. Each shareholder should complete and sign the Substitute Form W-9 included as part of the Letter of Transmittal so as to provide the information and certification necessary to avoid backup withholding.

If backup withholding applies to a shareholder, the Depositary is required to withhold 31% from payments to such shareholder. Backup withholding is not an additional tax. Rather, the amount of the backup

withholding can be credited against the Federal income tax liability of the person subject to the backup withholding, provided that the required information is given to the IRS. If backup withholding results in an overpayment of tax, a refund can be obtained by the shareholder upon filing an income tax return.

THE FOREGOING DISCUSSION MAY NOT BE APPLICABLE WITH RESPECT TO SHARES RECEIVED PURSUANT TO THE EXERCISE OF EMPLOYEE STOCK OPTIONS OR OTHERWISE AS COMPENSATION OR WITH RESPECT TO HOLDERS OF SHARES WHO ARE SUBJECT TO SPECIAL TAX TREATMENT UNDER THE CODE, SUCH AS NON-U.S. PERSONS, LIFE INSURANCE COMPANIES, TAX-EXEMPT ORGANIZATIONS AND FINANCIAL INSTITUTIONS, AND MAY NOT APPLY TO A HOLDER OF SHARES IN LIGHT OF ITS INDIVIDUAL CIRCUMSTANCES. SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO THEM (INCLUDING THE APPLICATION AND EFFECT OF ANY STATE, LOCAL OR FOREIGN INCOME AND OTHER TAX LAWS) OF THE OFFER AND THE MERGER.

6. PRICE RANGE OF THE SHARES; DIVIDENDS ON THE SHARES

The Shares are traded on the NYSE and the Pacific Stock Exchange (the "PSE") under the symbol "CAW". The following table sets forth, for each of the fiscal quarters since August 1, 1992, the high and low sales prices per Share as reported by the NYSE and the Dow Jones News Retrieval Service.

	SALES PRICE	
	HIGH	LOW
1993		
First Quarter (ended October 31, 1992)	$37 1/4	$29 1/4
Second Quarter (ended January 31, 1993)	46 3/8	35 1/4
Third Quarter (ended April 30, 1993)	48 1/8	37 5/8
Fourth Quarter (ended July 31, 1993)	50 7/8	40 1/4
1994		
First Quarter (ended October 31, 1993)	$51 1/4	$42 1/8
Second Quarter (ended January 31, 1994)	56 1/2	41 1/2
Third Quarter (ended April 30, 1994)	59	42 1/4
Fourth Quarter (ended July 31, 1994)	45 3/4	35 3/4
1995		
First Quarter (ended October 31, 1994)	47 1/2	40 3/4
Second Quarter (through December 22, 1994)	66 1/2	39

On December 16, 1994, the last full day of trading before the public announcement of the execution of the Merger Agreement, the reported closing sale price of the Shares on the NYSE was $45 1/4 per Share. On December 22, 1994 the last full day of trading before the commencement of the Offer, the reported closing sale price of the Shares on the NYSE was $66 1/2 per Share. SHAREHOLDERS ARE URGED TO OBTAIN CURRENT MARKET QUOTATIONS FOR THE SHARES.

The Company paid no cash dividends in respect of the Shares during fiscal 1994 or 1993 nor during the portion of fiscal 1995 prior to the date of this Offer to Purchase. According to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1994 (the "Form 10-K"), management of the Company has no current plans for declaring any dividends.

7. EFFECT OF THE OFFER ON THE MARKET FOR THE SHARES, STOCK LISTING AND EXCHANGE ACT REGISTRATION

The purchase of Shares pursuant to the Offer will reduce the number of holders of Shares and the number of Shares that might otherwise trade publicly and could adversely affect the liquidity and market value of the remaining Shares held by the public.

Depending upon the number of Shares purchased pursuant to the Offer, the Shares may no longer meet the requirements of the NYSE or the PSE for continued listing. According to the NYSE's published

guidelines, the NYSE would consider delisting the Shares if, among other things, the number of record holders of at least 100 Shares should fall below 1,200, the number of publicly held Shares exclusive of management or other concentrated holdings should fall below 600,000 or the aggregate market value of publicly held Shares should not exceed $5 million. According to the PSE's published guidelines, the PSE would consider delisting the Shares if, among other things, the number of beneficial holders of at least 100 Shares should fall below 300, the number of beneficial holders should fall below 400, the number of publicly held Shares (exclusive of any Shares held by directors, officers or their immediate families and other concentrated holdings of 5% or more of the total outstanding Shares) should fall below 200,000 or the aggregate market value of such Shares should fall below $1 million. If as a result of the purchase of Shares pursuant to the Offer, the Shares no longer meet the requirements of the NYSE or the PSE for continued listing and the listing of the Shares is discontinued on either exchange, the market for the Shares could be adversely affected.

If the NYSE and the PSE were to delist the Shares, it is possible that the Shares would continue to trade on other securities exchanges or in the over-the-counter market and that price quotations would be reported by such exchanges or through The Nasdaq Stock Market or other sources. The extent of the public market for the Shares and the availability of such quotations would, however, depend upon the number of shareholders remaining at such time, the interest in maintaining a market in the Shares on the part of securities firms, the possible termination of registration of the Shares under the Exchange Act, as described below, and other factors.

The Shares are currently "margin securities" under the regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which has the effect, among other things, of allowing brokers to extend credit on the collateral of the Shares. Depending on factors similar to those described above regarding listing and marketing quotations, it is possible that, following the Offer, the Shares would no longer constitute "margin securities" for purposes of the margin regulations of the Federal Reserve Board and therefore could no longer be used as collateral for loans made by brokers.

The Shares are currently registered under the Exchange Act. Registration of the Shares under the Exchange Act may be terminated upon application of the Company to the Commission if the Shares are neither listed on a national exchange nor held by 300 or more holders of record. Termination of registration of the Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to its shareholders and to the Commission, and would make certain provisions of the Exchange Act no longer applicable to the Company, such as the short-swing profit recovery provisions of Section 16(b) of the Exchange Act, the requirement of furnishing a proxy statement pursuant to Section 14(a) of the Exchange Act in connection with shareholders' meetings and the related requirement of furnishing an annual report to shareholders, and the requirements of Rule 13e-3 under the Exchange Act with respect to going private transactions. Furthermore, the ability of "affiliates" of the Company and persons holding "restricted securities" of the Company to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended, may be impaired or eliminated. The Purchaser reserves the right to seek to cause the Company to apply for termination of registration of the Shares under the Exchange Act as soon as possible after the completion of the Offer if the requirements for such termination are met. If registration of Shares under the Exchange Act were terminated, the Shares would no longer be "margin securities" or be eligible for stock exchange listing or Nasdaq Stock Market reporting.

If registration of the Shares is not terminated prior to the Merger, then the Shares will cease to be listed on the NYSE and the PSE and the registration of the Shares under the Exchange Act will be terminated following the consummation of the Merger.

8. CERTAIN INFORMATION CONCERNING THE COMPANY

The Company is a Florida corporation with its principal executive offices at 1801 Century Park East, Los Angeles, California 90067. According to the Form 10-K, the Company's principal line of business is the

provision of a broad range of entertainment, gaming and resort experiences to domestic and international customers. The Company's wholly owned subsidiaries operate three renowned destination gaming resorts: Caesars Palace in Las Vegas, Nevada; Caesars Tahoe in Stateline, Nevada; and Caesars Atlantic City in Atlantic City, New Jersey. A Company subsidiary carries on operations of a small casino on a cruise ship in conjunction with the operator of the ship. The Company also owns one-third of a management company that operates Casino Windsor, a casino opened on May 17, 1994 in Windsor, Canada that is owned by the Ontario government. Additionally, subsidiaries of the Company are seeking gaming management opportunities in emerging gaming markets. The Company has also entered into an agreement with a band of the Cahuilla Indian nation, subject to certain conditions including the development of a facility, regulatory approvals and financing from the Company, pursuant to which a subsidiary of the Company will manage a limited gaming facility in Palm Springs, California. The Company's subsidiaries also own and operate four non-gaming resorts in the Pocono Mountains of Pennsylvania: Caesars Cove Haven, Caesars Paradise Stream, Caesars Pocono Palace and Caesars Brookdale.

Set forth below is certain selected consolidated financial information with respect to the Company and its subsidiaries excerpted or derived from the information contained in the Form 10-K and the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 1994 which is incorporated by reference herein. More comprehensive financial information is included in such reports and other documents filed by the Company with the Commission, and the following summary is qualified in its entirety by reference to such report and such other documents and all the financial information (including any related notes) contained therein. Such report and other documents should be available for inspection and copies thereof should be obtainable in the manner set forth below under "Available Information".

CAESARS WORLD, INC.

SELECTED CONSOLIDATED FINANCIAL INFORMATION
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED OCTOBER 31,		YEAR ENDED JULY 31,		
	1994	1993	1994	1993	1992
	(UNAUDITED)				
STATEMENT OF EARNINGS DATA:					
Revenue	$252,511	$269,083	$1,015,766	$983,459	$933,298
Operating income	40,859	50,602	144,505	159,111	159,889
Net income	23,184	27,848	78,361	83,215	66,005*
Net income per share	$0.94	$1.14	$3.19	$3.40	$2.73*

	AT OCTOBER 31,	AT JULY 31,		
	1994	1994	1993	1992
	(UNAUDITED)			
BALANCE SHEET DATA:				
Total current assets	$ 290,948	$ 276,841	$241,135	$184,853
Total assets	1,023,200	1,018,021	955,719	902,269
Total current liabilities	173,657	179,301	165,459	182,731
Long-term debt, net of current maturities	198,667	212,556	243,024	258,466
Total shareholders' equity	$ 581,914	$ 556,867	$472,890	384,648

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* Includes an extraordinary loss of $6,703 or $.28 per share

Certain Company Projections. During the course of discussions between Parent and the Company and following agreement on the $67.50 per Share consideration (see Section 11), the Company provided Parent or its representatives with certain non-public business and financial information about the Company. This information was prepared in June 1994 as part of the Company's annual planning and included forecasts for

the fiscal year ending July 31, 1995 of (i) revenues of $1,096,000,000, (ii) operating income plus depreciation and amortization of $243,000,000 and (iii) net income of $103,000,000. These forecasts have not been updated since June 1994. The Company does not as a matter of course make public any projections as to future performance or earnings, and the projections set forth above are included in this Offer to Purchase only because the information was provided to Parent. The projections were not prepared with a view to public disclosure or compliance with the published guidelines of the Commission or the guidelines established by the American Institute of Certified Public Accountants regarding projections or forecasts. The Company's internal operating projections are, in general, prepared solely for internal use and capital budgeting and other management decisions and are subjective in many respects and thus susceptible to various interpretations and periodic revision based on actual experience and business developments. The projections were based on a number of assumptions (none of which were provided to Parent) that are beyond the control of the Company, the Purchaser or Parent or their respective financial advisors, including economic forecasting (both general and specific to the Company's business), which is inherently uncertain and subjective. None of the Company, the Purchaser or Parent or their respective financial advisors assumes any responsibility for the accuracy of any of the projections. The inclusion of the foregoing projections should not be regarded as an indication that the Company, the Purchaser, Parent or any other person who received such information considers it an accurate prediction of future events. Neither the Company nor Parent intends to update, revise or correct such projections if they become inaccurate (even in the short term).

Available Information. The Company is subject to the reporting requirements of the Exchange Act and, in accordance therewith, is required to file reports and other information with the Commission relating to its business, financial condition and other matters. Information, as of particular dates, concerning the Company's directors and officers, their remuneration, stock options and other matters, the principal holders of the Company's securities and any material interest of such persons in transactions with the Company is required to be disclosed in proxy statements distributed to the Company's shareholders and filed with the Commission. Such reports, proxy statements and other information should be available for inspection at the public reference facilities of the Commission located at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the Commission located in the Citicorp Center, 500 West Madison Street (Suite 1400), Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies should be obtainable, by mail, upon payment of the Commission's customary charges, by writing to the Commission's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. Such information should also be available for inspection at the library of the NYSE, 20 Broad Street, New York, New York 10005.

Except as otherwise stated in this Offer to Purchase, the information concerning the Company contained herein has been taken from or based upon publicly available documents on file with the Commission and other publicly available information. Although the Purchaser and Parent do not have any knowledge that any such information is untrue, neither the Purchaser nor Parent takes any responsibility for the accuracy or completeness of such information or for any failure by the Company to disclose events that may have occurred and may affect the significance or accuracy of any such information.

9. CERTAIN INFORMATION CONCERNING THE PURCHASER AND PARENT

The Purchaser, a Florida corporation, is a wholly owned subsidiary of Parent. It was organized to acquire the Shares and has not conducted any unrelated activities since its organization. The principal offices of the Purchaser are located at 1330 Avenue of the Americas, New York, New York 10019-5490. All outstanding shares of capital stock of the Purchaser are owned by Parent.

Parent is a diversified, global enterprise engaged in three major business areas: financial and business services, manufactured products and leisure and entertainment. Parent, a Delaware corporation, is headquartered at 1330 Avenue of the Americas, New York, New York 10019, (212) 258-1000.

Financial Information. Set forth below is certain selected consolidated financial information relating to Parent and its subsidiaries excerpted or derived from the information contained in Parent's Annual Report

on Form 10-K for the fiscal year ended December 31, 1993, as well as Parent's Quarterly Reports on Form 10-Q for the quarter ended September 30, 1994, which are incorporated by reference herein. More comprehensive financial information is included in such reports and other documents filed by Parent with the Commission, and the following summary is qualified in its entirety by reference to such reports and such other documents and all the financial information (including any related notes) contained therein. Such reports and other documents should be available for inspection and copies thereof should be obtainable in the manner set forth below under "Available Information".

ITT CORPORATION

SELECTED CONSOLIDATED FINANCIAL INFORMATION
(IN MILLIONS, EXCEPT PER SHARE DATA)

	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,		
	1994	1993	1993(/1/)	1992(/1/)	1991(/1/)
	(UNAUDITED)				
INCOME STATEMENT DATA:					
Sales and revenues.....	$ 16,884	$ 15,530	$21,129	$20,960	$19,510
Income from continuing operations.....	610	485	661	316	618
Net income (loss).....	734	694	913	(885)	749
Net income (loss) per share					
Primary.....	$ 6.02	$ 5.55	$ 7.32	$ (7.93)	$ 5.84
Fully diluted.....	$ 5.65	$ 5.23	$ 6.90	$ (6.90)	$ 5.49

	AT SEPTEMBER 30,	AT DECEMBER 31,		
	1994	1993(/1/)	1992(/1/)	1991(/1/)
	(UNAUDITED)			
BALANCE SHEET DATA:				
Total assets(/2/).....	62,546	59,935	56,298	42,328
Policy liabilities and accruals.	43,758	40,884	27,210	23,396
Accounts payable and accrued liabilities.....	3,411	3,361	3,037	3,122
Other debt and liabilities.....	9,469	8,040	8,309	7,089
Total shareholders' equity.....	$ 5,908	$7,650	$7,247	$8,721

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(/1/) Restated, where applicable, to reflect ITT Financial as a discontinued operation.
(/2/) Due to the nature and inclusion of assets and liabilities of Parent's insurance segment, Parent does not classify its assets and liabilities as current and non-current.

The name, business address, present principal occupation or employment, five-year employment history and citizenship of each of the directors and executive officers of Parent and the Purchaser are set forth in Schedule I hereto. In addition to the Purchaser's right to acquire the Shares subject to the Option, Parent beneficially owns 24,900 Shares, 20,000 of which are held by the ITT Retirement Plan for Salaried Employees and 4,900 of which are held by an index fund administered by ITT Hartford Group Inc. During the past 60 days the only transaction in Shares effected by Parent or its subsidiaries or affiliates occurred on November 17, 1994 when a mutual fund administered by ITT Hartford Group Inc. sold 6,000 Shares in a market transaction at a price of $44.63 per Share.

Except as described in this Offer to Purchase, neither of the Purchaser nor Parent (together, the "Corporate Entities") or, to the best knowledge of the Corporate Entities, any of the persons listed in Schedule I or any associate or majority-owned subsidiary of the Corporate Entities or any of the persons so listed, beneficially owns any equity security of the Company, and none of the Corporate Entities or, to the

best knowledge of the Corporate Entities, any of the other persons referred to above, or any of the respective directors, executive officers or subsidiaries of any of the foregoing, has effected any transaction in any equity security of the Company during the past 60 days.

Except as described in this Offer to Purchase, (i) there have not been any contacts, transactions or negotiations between the Corporate Entities, any of their respective subsidiaries or, to the best knowledge of the Corporate Entities, any of the persons listed in Schedule I, on the one hand, and the Company or any of its directors, officers or affiliates, on the other hand, that are required to be disclosed pursuant to the rules and regulations of the Commission and (ii) none of the Corporate Entities or, to the best knowledge of the Corporate Entities, any of the persons listed in Schedule I has any contract, arrangement, understanding or relationship with any person with respect to any securities of the Company.

Except as described in this Offer to Purchase, during the last five years, none of the Corporate Entities or, to the best knowledge of the Corporate Entities, any of the persons listed in Schedule I (i) has been convicted in a criminal proceeding (excluding traffic violations and similar misdemeanors) or (ii) was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, Federal or state securities laws or finding any violation of such laws.

Available Information. Parent is subject to the informational filing requirements of the Exchange Act and, in accordance therewith, is obligated to file reports and other information with the Commission relating to its business, financial condition and other matters. Information, as of particular dates, concerning Parent's directors and officers, their remuneration, stock options and other matters, the principal holders of Parent's securities and any material interest of such persons in transactions with Parent is required to be disclosed in proxy statements distributed to Parent's shareholders and filed with the Commission. Such reports, proxy statements and other information should be available for inspection at the Commission, and copies thereof should be obtainable from the Commission, in the same manner as set forth with respect to information concerning the Company in Section 8. Such material should also be available for inspection at the library of the NYSE, 20 Broad Street, New York, New York 10005.

10. SOURCE AND AMOUNT OF FUNDS

The total amount of funds required by the Purchaser to purchase all outstanding Shares pursuant to the Offer and to pay fees and expenses related to the Offer and the Merger is estimated to be approximately $1,750,000,000. The Purchaser plans to obtain all funds needed for the Offer and the Merger through a capital contribution that will be made by Parent to the Purchaser. Parent plans to use funds it has available in its cash accounts, under available lines of credit and pursuant to current commercial paper programs for such capital contribution. Parent expects the principal source of funds to be its commercial paper program for which Goldman Sachs Money Markets, L.P. and Lehman Brothers Inc. act as placement agents. Such commercial paper is expected to bear interest at prevailing market rates for such instruments at the time of issuance and to have maturities not exceeding 270 days. The Purchaser has not conditioned the Offer on obtaining financing.

Parent plans to service its additional borrowing through cash flow from operations and believes that, if its lenders do not roll over any amounts outstanding with respect to such commercial paper at maturity, Parent will have sufficient alternative sources of financing, including bank credit facilities, to repay such additional borrowing.

11. CONTACTS WITH THE COMPANY; BACKGROUND OF THE OFFER

Beginning in the spring of 1992, Parent from time to time expressed an interest to the Company in a possible combination but the Company indicated its belief that it should remain independent. In October 1994 Rand Araskog, the Chairman and Chief Executive Officer of Parent arranged a meeting with Henry

Gluck, Chairman and Chief Executive Officer of the Company, to discuss more specifically a transaction. Although no specific transaction was proposed at that time, Mr. Gluck indicated that he might consider an offer from Parent. The two arranged a subsequent meeting that took place on November 18, 1994. After that meeting, Mr. Gluck and Mr. Araskog concluded that the matter was of sufficient interest to retain financial and legal advisors and instruct them to begin discussions. Over the course of the next several weeks financial and legal advisors developed the framework of a mutually satisfactory agreement. Mr. Araskog and Mr. Gluck met again on December 12, 1994, at which time they tentatively agreed on acceptable financial terms, subject to completion of negotiation on other matters and preparation of a definitive agreement. Negotiations between the Company and Parent continued through the morning of December 19, 1994, with the parties and their advisors conferencing by telephone and meeting in New York City. The terms of the transaction were presented to and authorized and adopted by the Board of Directors of the Company on December 18, 1994 at a meeting in Los Angeles. Following approval by the Board of Directors of the Company, the Merger Agreement and the Option Agreement were executed and delivered, and the transaction was publicly announced before the NYSE opened on Monday, December 19, 1994.

12. PURPOSE OF THE OFFER; THE MERGER AGREEMENT; OTHER AGREEMENTS

Purpose

The purpose of the Offer is to acquire control of and the entire equity interest in the Company. Following the Offer, the Purchaser and Parent intend to acquire any remaining equity interest in the Company not acquired in the Offer by consummating the Merger. Following consummation of the Offer, Parent expects a majority of the Company's Board of Directors to be comprised of persons designated by Parent. Following the Merger, Parent expects the Company's entire Board of Directors to be comprised of persons designated by Parent, a majority of whom will be officers or employees of Parent or its Subsidiaries (including the Company).

The Merger Agreement

The Merger Agreement provides that following the satisfaction or waiver of the conditions described below under "Conditions to Each Party's Obligations to Effect the Merger" and "Additional Condition to Obligations of Parent and the Purchaser to Effect the Merger", the Purchaser will be merged with and into the Company, and each then outstanding Share will be converted into the right to receive an amount in cash equal to the price per Share paid pursuant to the Offer.

Vote Required to Approve Merger. The Board of Directors of the Company has unanimously authorized and approved the Merger and adopted the Merger Agreement in accordance with Section 607.1101 of the FBCA. Depending upon the number of Shares purchased by the Purchaser pursuant to the Offer, the Board may be required to submit the Merger Agreement to the Company's shareholders for approval at a shareholder's meeting convened for that purpose in accordance with the FBCA. If shareholder approval is required, the Merger Agreement must generally be approved by a majority of all votes entitled to be cast at such meeting. As a result, if the Minimum Condition is satisfied, the Purchaser will have sufficient voting power to approve the Merger Agreement at the shareholders' meeting without the affirmative vote of any other shareholder.

If the Purchaser acquires 80% of the Shares, whether solely pursuant to the Offer or in conjunction with the exercise of the Purchaser's rights under the Option Agreement or otherwise, the Merger may be consummated without a shareholders' meeting and without the approval of the Company's shareholders under Section 607.1104 of the FBCA. That section provides that a corporation may merge with and into a subsidiary of such corporation without the approval of the shareholders of either entity so long as the articles of incorporation of the surviving entity do not differ (except in certain limited ways) from the articles of incorporation of the parent corporation in effect prior to the merger. The Merger Agreement provides that the Purchaser (the parent corporation) will be merged with and into the Company (the subsidiary

corporation) following the Offer, and that the articles of incorporation of the Company will be the articles of incorporation of the Surviving Corporation following the Merger.

Termination of the Merger Agreement. The Merger Agreement may be terminated at any time prior to the effective time of the Merger (the "Effective Time"), whether before or after approval of matters presented in connection with the Merger by the shareholders of the Company:

(a) by mutual written consent of Parent and the Company;

(b) by either Parent or the Company if (i) as a result of the failure, occurrence or existence of any of the conditions described in Section 14 of this Offer to Purchase, the Offer shall have terminated or expired in accordance with its terms without the Purchaser having accepted for payment any Shares pursuant to the Offer or (ii) the Purchaser shall not have accepted for payment any Shares pursuant to the Offer by June 19, 1995; provided, however, that the right to terminate pursuant to the provisions described in this subparagraph (b) shall not be available to either party if its failure to perform any of its obligations under the Merger Agreement results in the failure, occurrence or existence of any such condition;

(c) by either Parent or the Company if any Governmental Entity (as defined below) shall have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the acceptance for payment of, or payment for, the Shares pursuant to the Offer or the Merger and such order, decree or ruling or other action shall have become final and nonappealable;

(d) by Parent or the Purchaser prior to the purchase of the Shares pursuant to the Offer in the event of a breach by the Company of any representation, warranty, covenant or other agreement contained in the Merger Agreement which (A) would give rise to the failure of a condition described in paragraph (e) or (f) of Section 14 and (B) cannot be or has not been cured within 20 days after the giving of written notice to the Company;

(e) by Parent or the Purchaser if either Parent or the Purchaser is entitled to terminate the Offer as a result of the occurrence of any event set forth in paragraph (d) of Section 14;

(f) by the Company in connection with entering into a definitive agreement in accordance with the provisions described in the second paragraph under "Acquisition Proposals", provided it has complied with all provisions thereof, including the notice provisions therein, and that it makes simultaneous payment of the Expenses and the Termination Fee (as such terms are defined below under "Fees and Expenses"); or

(g) by the Company, if the Purchaser or Parent shall have breached in any material respect any of their respective representations, warranties, covenants or other agreements contained in the Merger Agreement, which failure to perform is incapable of being cured or has not been cured within 20 days after the giving of written notice to Parent or the Purchaser, as applicable, except, in any case, such failures which are not reasonably likely to affect adversely Parent's or the Purchaser's ability to complete the Offer or the Merger.

Conduct of Business. During the term of the Merger Agreement, except as specifically required by the Merger Agreement, the Company shall and shall cause its subsidiaries to carry on their respective businesses in the ordinary course and use all reasonable efforts consistent with good business judgment to preserve intact their current business organizations, keep available the services of their current officers and employees and preserve their relationships consistent with past practice with desirable customers, suppliers, licensors, licensees, distributors and others having business dealings with them to the end that their goodwill and ongoing businesses shall be unimpaired in all material respects at the Effective Time. Except for transactions specifically disclosed in the SEC Documents (as defined in the Merger Agreement), without limiting the generality of the foregoing, the Company shall not, and shall not permit any of its subsidiaries to (without Parent's prior written consent, which consent may not be unreasonably withheld):

(i) (A) declare, set aside or pay any dividends on, or make any other distributions in respect of, any of its capital stock, other than dividends and distributions by any direct or indirect wholly owned

subsidiary of the Company to its parent, (B) split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or (C) except as shall be required under currently existing terms of any stock-based benefit plan, purchase, redeem or otherwise acquire or amend (except in respect of the Rights as specifically permitted in the Merger Agreement) any shares of capital stock of the Company or any of its subsidiaries or any other securities thereof or any rights, warrants or options to acquire any such shares or other securities (other than (x) redemptions, purchases or other acquisitions required by applicable provisions under Gaming Laws, (y) issuances or redemptions of capital stock of wholly-owned subsidiaries occurring between the Company and any of its wholly-owned subsidiaries or occurring between wholly-owned subsidiaries of the Company and (z) issuances of capital stock or ownership interests in connection with the organization of new entities for purposes of business development and management activities as permitted by the Merger Agreement);

(ii) issue, deliver, sell, pledge or otherwise encumber or amend any shares of its capital stock, any other voting securities or any securities convertible into, or any rights, warrants or options to acquire, any such shares, voting securities or convertible securities (other than the issuance of the Shares upon the exercise of employee stock options and contingent incentive plans (including with respect to contingent shares of the Shares) outstanding on the date of the Merger Agreement in accordance with their present terms and other than the issuance of the Shares pursuant to the Option Agreement);

(iii) amend its Amended and Restated Articles of Incorporation, By-laws or other comparable charter or organizational documents;

(iv) acquire or agree to acquire (A) by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, joint venture, association or other business organization or division thereof or (B) any assets that are material, individually or in the aggregate, to the Company and its subsidiaries taken as a whole, except (x) purchases of inventory, furnishings and equipment in the ordinary course of business consistent with past practice or (y) expenditures consistent with the Company's current capital budget previously provided to Parent; provided that transactions of the type referenced in this subparagraph (iv) by the Company and its subsidiaries shall be permitted (a) to the extent required under existing agreements or, with respect to projects in Windsor, Canada, understandings (collectively, "Current Commitments") and (b) in addition to what is otherwise permitted in this subparagraph (iv), the aggregate amount that the Company and its subsidiaries may spend or commit to spend in respect of such transactions (other than Current Commitments) without being able to cancel or withdraw such commitments absent material penalty or cost to the Company and its subsidiaries shall not exceed in the aggregate $35 million; and, provided further that any transaction specified by the immediately preceding proviso shall not be so permitted if the Company would not be able to enjoy the benefits in respect of the relevant assets, business, corporation, partnership, joint venture, association or other business organization or division after consummation of the Offer, the Merger and the other transactions contemplated by the Merger Agreement and the Option Agreement or there would be required any additional consents, approvals, orders or authorizations of, or registrations or filings with, any Governmental Entity which would delay in any material respect the consummation of the transactions contemplated by the Merger Agreement and the Option Agreement; and, provided further that, notwithstanding the foregoing limitations, the Company may engage in any projects within that state of the United States previously discussed by the parties after, to the extent permitted by law, consultation between the Company and Parent;

(v) sell, lease, license, mortgage or otherwise encumber or subject to any lien or otherwise dispose of any of its properties or assets, except transactions in the ordinary course of business consistent with past practice;

(vi) (A) other than (1) ordinary course working capital borrowings, (2) Current Commitments, (3) projects approved prior to the date of the Merger Agreement by the Board of Directors of the Company, (4) specific projects referred to in the capital budget of the Company previously provided to Parent and (5) other incurrences of indebtedness which, in the aggregate, do not exceed $10 million, incur any

indebtedness for borrowed money or guarantee any such indebtedness of another person, issue or sell any debt securities or warrants or other rights to acquire any debt securities of the Company or any of its subsidiaries, guarantee any debt securities of another person, enter into any "keep well" or other agreement to maintain any financial statement condition of another person or enter into any arrangement having the economic effect of any of the foregoing or (B) other than (v) to the Company or any direct or indirect wholly owned subsidiary of the Company, (w) advances to employees, suppliers or customers in the ordinary course of business consistent with past practice, (x) Current Commitments, (y) projects approved prior to the date of the Merger Agreement by the Board of Directors of the Company and (z) specific projects referred to in the capital budget of the Company previously provided to Parent, make any loans, advances or capital contributions to, or investments in, any other person;

(vii) make any material tax election or settle or compromise any material tax liability;

(viii) pay, discharge, settle or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge, settlement or satisfaction, in the ordinary course of business consistent with past practice or in accordance with their terms, of liabilities reflected or reserved against in, the most recent consolidated financial statements (or the notes thereto) of the Company included in the SEC Documents filed and publicly available prior to the date of the Merger Agreement or incurred in the ordinary course of business consistent with past practice, or, except in the ordinary course of business consistent with past practice, waive the benefits of, or agree to modify in any manner, any confidentiality, standstill or similar agreement to which the Company or any of its subsidiaries is a party;

(ix) except as required to comply with applicable law, (A) adopt, enter into, terminate or amend any Benefit Plan (as defined in the Merger Agreement) or other arrangement for the benefit or welfare of any director, officer or current or former employee, except as expressly described in the Merger Agreement and except to the extent necessary to coordinate any such benefit plans with the terms of the Merger Agreement (including the provisions of certain employment agreements expressly referenced in the Merger Agreement), (B) increase in any manner the compensation or fringe benefits of, or pay any bonus to, any director, officer or employee (except for normal increases or bonuses in the ordinary course of business consistent with past practice to employees other than directors, officers or senior management personnel and that, in the aggregate, do not result in a significant increase in benefits or compensation expense to the Company and its subsidiaries relative to the level in effect prior to such action (but in no event shall the aggregate amount of all such increases exceed 4% of the aggregate annualized compensation expense of the Company and its subsidiaries reported in the most recent audited financial statements of the Company included in the SEC Documents)), (C) pay any benefit not provided for under any Benefit Plan, (D) except as permitted in clause (B), grant any awards under any bonus, incentive, performance or other compensation plan or arrangement or Benefit Plan (including the grant of stock options, stock appreciation rights, stock based or stock related awards, performance units or restricted stock, or the removal of existing restrictions in any Benefit Plans or agreements or awards made thereunder) or (E) except for the funding of rabbi trusts for non-qualified retirement benefits to the extent previously approved by the Board of Directors of the Company or any committee thereof, prior to the date of the Merger Agreement, take any action to fund or in any other way secure the payment of compensation or benefits under any employee plan, agreement, contract or arrangement or Benefit Plan other than in the ordinary course of business consistent with past practice; provided, however, that the Company may take any action described in (A), (C) and (D) above that does not involve the five most senior officers of the Company and that, taken together, has an aggregate economic cost to the Company of less than $7,500,000.

(x) make any new capital expenditure or expenditures, other than capital expenditures not to exceed, in the aggregate, the amounts provided for capital expenditures (x) in respect of Current Commitments, (y) in respect of projects approved prior to the date of the Merger Agreement and (z) in the capital budget of the Company provided to Parent;

(xi) except in the ordinary course of business and except as otherwise permitted by the Merger Agreement, modify, amend or terminate any contract or agreement set forth in the SEC Documents to

which the Company or any subsidiary is a party or waive, release or assign any material rights or claims; or

(xii) authorize any of, or commit or agree to take any of, the foregoing actions except as otherwise permitted by the Merger Agreement.

In addition, the Merger Agreement provides that the Company shall not, and shall not permit any of its subsidiaries to, take any action that would result in (i) any of its representations and warranties set forth in the Merger Agreement that are qualified as to materiality becoming untrue, (ii) any of such representations and warranties that are not so qualified becoming untrue in any material respect or (iii) any of the conditions to the Offer described in Section 14 of this Offer to Purchase not being satisfied (subject to the Company's right to take action specifically permitted by the provisions described under "Acquisition Proposals").

Acquisition Proposals. The Merger Agreement provides that the Company shall not, nor shall it permit any of its subsidiaries to, nor shall it authorize or permit any officer, director or employee of, or any investment banker, attorney or other advisor or representative of, the Company or any of its subsidiaries to, (i) solicit or initiate, or encourage the submission of, any takeover proposal or (ii) participate in any discussions or negotiations regarding, or furnish to any person any information with respect to, or take any other action to facilitate the making of any proposal that constitutes, or may reasonably be expected to lead to, any takeover proposal; provided, however, that, prior to the acceptance for payment of the Shares pursuant to the Offer, if in the opinion of the Board of Directors of the Company, after consultation with counsel, such failure to act would be inconsistent with its fiduciary duties to the Company's stockholders under applicable law, the Company may, in response to an unsolicited takeover proposal, and subject to compliance with the provisions described in the second succeeding paragraph, (A) furnish information with respect to the Company to any person pursuant to a confidentiality agreement and (B) participate in negotiations regarding such takeover proposal. Without limiting the foregoing, it is understood that any violation of the restrictions set forth in the preceding sentence by any director or executive officer of the Company or any of its subsidiaries, whether or not such person is purporting to act on behalf of the Company or any of its subsidiaries or otherwise, shall be deemed to be a breach of the provisions described in this paragraph by the Company. For purposes of the Merger Agreement, "takeover proposal" means any proposal or offer from any person relating to any direct or indirect acquisition or purchase of a material amount of assets of the Company or any of its subsidiaries or of over 20% of any class of equity securities (other than acquisitions of stock by institutional investors in the ordinary course of business) of the Company or any of its subsidiaries or any tender offer or exchange offer that if consummated would result in any person beneficially owning 20% or more of any class of equity securities of the Company or any of its subsidiaries or which would require approval under any Gaming Law, or any merger, consolidation, business combination, sale of substantially all assets, recapitalization, liquidation, dissolution or similar transaction involving the Company or any of its subsidiaries other than the transactions contemplated by the Merger Agreement, or any other transaction the consummation of which would reasonably be expected to impede, interfere with, prevent or materially delay the Offer or the Merger or which would reasonably be expected to dilute materially the benefits to Parent of the transactions contemplated hereby.

The Merger Agreement provides that, except as set forth in the provisions described in this paragraph, neither the Board of Directors of the Company nor any committee thereof shall (i) withdraw or modify, or propose to withdraw or modify, in a manner adverse to Parent or the Purchaser, the approval or recommendation by such Board of Directors or any such committee of the Offer, the Merger Agreement or the Merger, (ii) approve or recommend, or propose to approve or recommend, any takeover proposal or (iii) enter into any agreement with respect to any takeover proposal. Notwithstanding the foregoing, in the event prior to the time of acceptance for payment of the Shares in the Offer if in the opinion of the Board of Directors of the Company after consultation with counsel, failure to do so would be inconsistent with its fiduciary duties to the Company's stockholders under applicable law, the Board of Directors of the Company may (subject to the terms of this and the following sentences) withdraw or modify its approval or recommendation of the Offer, the Merger Agreement or the Merger, approve or recommend a competitive

proposal, or enter into an agreement with respect to a competitive proposal, in each case at any time after the second business day following Parent's receipt of written notice (a "Notice of Competitive Proposal") advising Parent that the Board of Directors of the Company has received a competitive proposal, specifying the material terms and conditions of such competitive proposal and identifying the person making such competitive proposal; provided that the Company shall not enter into an agreement with respect to a competitive proposal unless the Company shall have furnished Parent with written notice no later than 12:00 noon two business days in advance of any date that it intends to enter into such agreement. In addition, if the Company proposes to enter into an agreement with respect to any takeover proposal, it shall concurrently with entering into such agreement pay, or cause to be paid, to Parent the Expenses and the Termination Fee. For purposes of the Merger Agreement, a "competitive proposal" means any bona fide take-over proposal to acquire, directly or indirectly, for consideration consisting of cash and/or securities, more than 50% of the Shares then outstanding or all or substantially all the assets of the Company and otherwise on terms which the Board of Directors of the Company determines in its good faith judgment to be more favorable to the Company's stockholders than the Offer and the Merger (taking into account any improvements to the Offer and the Merger proposed by Parent).

The Merger Agreement provides that in addition to the obligations of the Company described in the immediately preceding paragraph, the Company shall advise Parent of any request for information or of any takeover proposal, or any proposal with respect to any takeover proposal, the material terms and conditions of such request or takeover proposal, and the identity of the person making any such takeover proposal or inquiry. The Company will keep Parent fully informed of the status and details (including amendments or proposed amendments) of any such request, takeover proposal or inquiry.

The Merger Agreement provides that, nothing contained in the provisions described under "Acquisition Proposals" shall prohibit the Company from taking and disclosing to its stockholders a position contemplated by Rule 14e-2(a) promulgated under the Exchange Act or from making any disclosure to the Company's stockholders if, in the opinion of the Board of Directors of the Company, after consultation with counsel, failure to so disclose would be inconsistent with its fiduciary duties to the Company's stockholders under applicable law; provided that the Company does not, except as permitted by provisions described in the second preceding paragraph, withdraw or modify, or propose to withdraw or modify, its position with respect to the Offer or the Merger or approve or recommend, or propose to approve or recommend, a takeover proposal.

Conditions to Each Party's Obligation To Effect the Merger. The Merger Agreement provides that the respective obligation of each party to effect the Merger is subject to the satisfaction or waiver on or prior to the Closing Date of the following conditions:

(a) If required by applicable law, the Merger Agreement shall have been approved and adopted by the affirmative vote of the holders of a majority of all Shares entitled to be cast in accordance with applicable law and the Company's Amended and Restated Articles of Incorporation; provided that Parent and the Purchaser shall vote all their Shares in favor of the Merger.

(b) No statute, rule, regulation, executive order, decree, temporary restraining order, preliminary or permanent injunction or other order enacted, entered, promulgated, enforced or issued by any Governmental Entity or other legal restraint or prohibition preventing the consummation of the Merger or the transactions contemplated thereby shall be in effect; provided, however, that, in the case of a decree, injunction or other order, each of the parties shall have used reasonable efforts to prevent the entry of any such injunction or other order and to appeal as promptly as possible any decree, injunction or other order that may be entered.

(c) The Purchaser shall have previously accepted for payment and paid for Shares pursuant to the Offer.

Additional Condition to Obligations of Parent and the Purchaser to Effect the Merger. The Merger Agreement provides that the obligations of Parent and the Purchaser to effect the Merger are further subject to the condition that all stock options and stock appreciation rights shall have been cancelled.

Board of Directors. The Merger Agreement provides that promptly upon the acceptance for payment of, and payment for, any Shares by the Purchaser pursuant to the Offer, the Purchaser shall be entitled to designate such number of directors on the Board of Directors of the Company as will give the Purchaser, subject to compliance with Section 14(f) of the Exchange Act, such number as will represent a majority of such directors, and the Company and its Board of Directors shall, at such time, take any and all such action needed to cause the Purchaser's designees to be appointed to the Company's Board of Directors (including to cause directors to resign). Subject to applicable law, the Company shall take all action requested by Parent which is reasonably necessary to effect any such election, including mailing to its stockholders an Information Statement containing the information required by Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder, and the Company agrees to make such mailing with the mailing of the Schedule 14D-9 so long as the Purchaser shall have provided to the Company on a timely basis all information required to be included in the Information Statement with respect to the Purchaser's designees.

Fees and Expenses. The Merger Agreement provides that, except as provided below, all fees and expenses incurred in connection with the Offer, the Merger, the Merger Agreement and the transactions contemplated hereby shall be paid by the party incurring such fees or expenses, whether or not the Offer or the Merger is consummated.

The Merger Agreement provides that the Company shall pay, or cause to be paid, in same day funds to Parent the sum of (x) all of Parent's reasonably documented out-of-pocket expenses in an amount up to but not to exceed $10,000,000 (the "Expenses") and (y) $50,000,000 (the "Termination Fee") upon demand if (i) Parent or the Purchaser terminates this Agreement under the provisions described in subparagraph (e) of "Termination of the Merger Agreement", (ii) provided, however, that Parent shall be entitled to only the Expenses where Parent or the Purchaser terminates the Merger Agreement under the provisions described in subparagraph (e) of "Termination of the Merger Agreement" as a result of the occurrence of any event described in clause (i) of paragraph (d) of Section 14 of this Offer to Purchase or, as it relates to clause (i) of paragraph (d) of Exhibit A, clause (iii) of such paragraph (d); provided further, however, that, if the Agreement is terminated as contemplated by the immediately preceding proviso and the Company subsequently consummates or enters into an agreement relating to a competitive proposal within 12 months of such termination, the Company shall also pay to Parent the Termination Fee, (ii) the Company terminates the Merger Agreement pursuant to the provisions described in subparagraph (e) of "Termination of the Merger Agreement" or (iii) prior to any termination of the Merger Agreement, a takeover proposal shall have been made and within 12 months of such termination, a transaction constituting a takeover proposal is consummated or the Company enters into an agreement with respect to, or approves or recommends a takeover proposal. The amount of Expenses so payable shall be the amount set forth in an estimate delivered by Parent, subject to upward or downward adjustment (not to be in excess of the amount set forth in clause (x) above) upon delivery of reasonable documentation therefor.

Indemnification and Insurance. The Merger Agreement provides that the indemnification obligations set forth in the Company's Amended and Restated Certificate of Incorporation and by-laws on the date of the Merger Agreement shall survive the Merger and shall not be amended, repealed or otherwise modified for a period of six years after the Effective Time in any manner that would adversely affect the rights thereunder of individuals who on or prior to the Effective Time were directors, officers, employees or agents of the Company (the "Indemnified Parties").

The Merger Agreement provides that for six years from the Effective Time, the Surviving Corporation shall, unless Parent agrees in writing to guarantee the indemnification obligations described in the preceding paragraph, either (x) maintain in effect the Company's current directors' and officers' liability insurance covering those persons who are covered on the date of the Merger Agreement by the Company's directors' and officers' liability insurance policy (a copy of which has been heretofore delivered to Parent); provided, however, that in no event shall the Surviving Corporation be required to expend in any one year an amount in excess of 150% of the annual premiums currently paid by the Company for such insurance which the

Company represents to be $795,000 for the twelve month period ended March 31, 1995; and, provided, further, that if the annual premiums of such insurance coverage exceed such amount, the Surviving Corporation shall be obligated to obtain a policy with the greatest coverage available for a cost not exceeding such amount or (y) cause Parent's directors' and officers' liability insurance then in effect to cover those persons who are covered on the date of the Merger Agreement by the Company's directors' and officers' liability insurance policy with respect to those matters covered by the Company's directors' and officers' liability policy.

The Merger Agreement provides the indemnification obligations described above shall survive the consummation of the Merger at the Effective Time, are intended to benefit the Company, Parent, the Surviving Corporation and the Indemnified Parties, and shall be binding on all successors and assigns of Parent and the Surviving Corporation.

Employment Agreements. The Merger Agreement provides that prior to the acquisition of Shares pursuant to the Offer, Parent and the Company will enter into revised employment agreements with Mr. Gluck and Mr. Lanni comparable to the agreements described below under "Employment Agreements".

Shareholder Meeting. The Merger Agreement provides that the Company will, as soon as practicable following the acceptance for payment of, and payment for, Shares by the Purchaser pursuant to the Offer, duly call, give notice of, convene and hold a meeting of holders of Shares if such meeting is required by applicable law for the purpose of approving the Merger Agreement. Subject to the provisions described above under "Acquisition Proposals," the Merger Agreement provides that the Company will through its Board of Directors recommend approval of the Merger Agreement to its shareholders. Notwithstanding the foregoing, if the Purchaser or any other subsidiary of Parent acquires at least 80% of the outstanding Shares, the parties will, at the request of Parent, take all necessary and appropriate action to cause the Merger to become effective as soon as practicable after the expiration of the Offer without a shareholder meeting in accordance with Section 607.1104 of the FBCA.

Representations and Warranties. The Merger Agreement contains standard representations and warranties from the Company, Parent and the Purchaser.

Transfer Taxes. The Merger Agreement provides that all liability for transfer or other similar taxes arising out of or related to the sale of Shares to the Purchaser, or the consummation of any other transaction contemplated by the Merger Agreement, and due to the property owned by the Company or any of its subsidiaries or affiliates ("Transfer Taxes") will be borne by the Company, and the Company will file or cause to be filed all returns relating to such Transfer Taxes which are due, and, to the extent appropriate or required by law, the shareholders of the Company will cooperate with respect to the filing of such returns.

Enforceability, Illegality. To the extent any restriction on the activities of the Company or its subsidiaries under the terms of the Merger Agreement, including with respect to any negative pledge or other restriction on the ability of the Company to dispose of stock of any Nevada subsidiary, requires prior approval under any Gaming Law, such restriction is deemed to be of no force or effect unless and until such approval is obtained. If any provision of the Merger Agreement is illegal or unenforceable under any Gaming Law, such provision is deemed to be void and of no force or effect.

Stock Options. Based upon information contained in the Company's Solicitation/Recommendation Statement on Schedule 14D-9, the current directors and executive officers of the Company as a group hold stock options granted under the Option Plans (as defined in the Merger Agreement) to purchase an aggregate of 180,125 Shares at exercise prices ranging from $13.25 to $51.13 per Share. In accordance with the terms of the Merger Agreement, the Company shall use its best efforts to assure that (i) each stock option shall be accelerated to be fully exercisable prior to the consummation of the Offer and (ii) each holder of a stock option granted under the Option Plans which is outstanding immediately prior to the consummation of the Offer will be cancelled in exchange for an amount in cash equal to the product of (y) the number of Shares

subject to such stock option immediately prior to the consummation of the Offer and (z) the excess of the price per Share to be paid in the Offer over the per Share price of such stock options; provided, however, that any such stock option granted to a non-employee director of the Company as of December 8, 1994 shall be cancelled at the Effective Time. Since the only stock appreciation rights ("SARs") held by the current directors and executive officers of the Company were related to their stock options (although the executive officers have tax withholding rights with respect to their contingent and restricted Shares), no additional payments will be made with respect to any such SAR.

Benefit Plans. The Merger Agreement provides that, with certain limitations, Parent shall cause the Surviving Corporation to take such actions as are necessary so that, for a period of not less than one year after the Effective Time, nonunion employees of the Company and its subsidiaries who continue their employment after the Effective Time will be provided employee compensation and other benefits which in the aggregate are at least generally comparable to those provided to such employees as of the date hereof.

It is Parent's current intention that, following the first anniversary of the Effective Time, Parent will provide employee compensation and other benefits for employees of the Company and its subsidiaries which are at least generally comparable in the aggregate to the employee compensation and other benefits for other employees of Parent and its subsidiaries. Parent will cause the Surviving Corporation to recognize all service credited to each such employee by the Company through the Effective Time for purposes of eligibility (including for enhanced vacation) and vesting under any employee benefit plan provided by the Surviving Corporation for the benefit of such employees.

Regulatory Matters. The Merger Agreement provides that Parent will and will cause its subsidiaries to (and will use its reasonable efforts to cause its affiliates other than subsidiaries to) if it is necessary to obtain any regulatory approval for the Merger Agreement, disassociate themselves from any person or person deemed, or reasonably likely to be deemed, unacceptable by a Governmental Entity with authority to administer Gaming Laws and, in the case of any such person who is a nominee to serve as a director of Parent or any subsidiary of Parent, Parent will and will cause the relevant subsidiary to replace any such director nominee with a suitable substitute nominee. In that connection, the Merger Agreement provides that Parent will use its reasonable efforts to cause the trust arrangements described in the first paragraph of Section 14 of this Offer to Purchase to be in full force and effect. As used in this Offer to Purchase, the term "Governmental Entity" means any Federal, state or local government or any court, administrative or regulatory agency, domestic or foreign.

Option Agreement

In connection with the execution of the Merger Agreement, the Company, Parent and the Purchaser have entered into an Option Agreement dated as of December 19, 1994 (the "Option Agreement"), pursuant to which the Company has agreed to grant the Purchaser an irrevocable option (the "Option") to purchase from the Company up to 5,000,000 Shares at a price of $67.50 per Share plus all treasury Shares, exercisable in whole or in part at any time or from time to time, but only if the Purchaser accepts Shares for payment pursuant to the Offer.

Employment Agreements

The Company has a renewable five-year employment agreement with Mr. Gluck and a renewable three-year employment agreement with Mr. Lanni, providing, among other things, for employment at current fiscal 1995 annual base salaries of $887,843 for Mr. Gluck and $665,882 for Mr. Lanni, subject to annual cost of living increases or decreases equivalent to two-thirds of the change in the consumer price index during the life of the contracts and further subject to discretionary increases by the Audit and Compensation Committee of the Board. Both Mr. Gluck and Mr. Lanni received 1.8% salary increases effective August 1, 1994. Both employment agreements automatically extend on a daily basis so that the outstanding term is always five-years or three-years, as the case may be, subject to the continuing option by the Company or the employee to terminate the continuing automatic extension provision at any time. In the event of a wrongful termination by the Company, which includes a breach by the Company of any of its obligations under the agreements, each of Mr. Gluck and Mr. Lanni shall have the option of terminating his respective agreement and obtaining

benefits equal to at least the present value at that time (using a rate based on five-year treasury notes) of unpaid salary and incentive compensation for the then remaining term and shall continue to receive all other benefits for the remaining term. Unless Mr. Gluck or Mr. Lanni agrees to a 10% reduction in such payment, such person would have a mitigation obligation to the extent such obligation is provided under California law. Upon termination in either situation, all of the then outstanding unvested restricted or contingent stock and any unexercisable stock options would vest or become exercisable. The agreements also provide for incentive compensation based on or similar to the Company's Incentive Compensation Plan; however, the Plan will apply unless the employee elects to be goverened by the employment agreement. In the event of a Change in Control (as defined in their respective employment agreements), Mr. Gluck and Mr. Lanni each have a one-year option to terminate their respective agreements and to collect a payment substantially equivalent to the amount payable for wrongful termination prior to a Change in Control plus a lump-sum amount equal to the Termination Benefit (as defined in the Executive Security Plan) under the Executive Security Plan. Any such payment is subject to the safe harbor limitation of 2.99 times the base amount established by the Deficit Reduction Act of 1984 ("DEFRA") applicable to therein defined "parachute payments" (the "DEFRA Limitation"). This limitation also applies to benefits payable in the event of a wrongful termination following a Change in Control. Under their employment agreements, Messrs. Gluck and Lanni are entitled upon retirement to continuation of medical insurance coverage or the equivalent for themselves (and their respective dependents) for their respective lives plus one year, and the Company at July 31, 1994 had accrued $282,000 and $279,000, respectively, for these benefits, subject to the condition that to the extent either is employed by an employer offering such insurance or has medicare coverage, the Company obligation shall be secondary.

The acquisition of Shares pursuant to the Offer will constitute a Change in Control for purposes of these employment agreements. However, pursuant to the Merger Agreement, Parent and the Company will offer an Amended and Restated Employment Agreement ("Amended Agreement") to each of Messrs. Gluck and Lanni which they each have indicated they will accept. The Amended Agreement will differ from the respective existing Agreements primarily as follows: (1) Parent will guarantee each Amended Agreement; (2) the term of each agreement will be a fixed term of five years for Mr. Gluck and three years for Mr. Lanni instead of an evergreen term; (3) Mr. Gluck will report to the Chief Executive Officer of Parent; (4) the annual bonus under each Amended Agreement will be the higher of the amount computed under the respective existing agreement or the amount computed under Parent's annual bonus plan; (5) Messrs. Gluck and Lanni will each receive an annual grant of a stock option for shares of Parent common stock (35,000 shares for Mr. Gluck and 20,000 shares for Mr. Lanni), with an exercise price equal to the fair market value of such shares on the date of grant; (6) either Mr. Gluck or Mr. Lanni may be temporarily replaced if he is unable to substantially perform his duties for 60 days and may be permanently replaced (without such replacement being a breach of the agreement) if he is unable to substantially perform his duties for a year; (7) payments and benefits that may be treated as "parachute payments" under Section 280G of the Internal Revenue Code of 1986, as amended, will be computed so that the recipient receives the higher of the net amounts produced by (x) providing a "safe harbor cap" for such payments or (y) making such payments without imposing a safe harbor cap; and (8) the acquisition of Shares pursuant to the Offer will constitute a Change in Control for purposes of the Amended Agreement, granting Mr. Gluck and Mr. Lanni the option to terminate described above, but no subsequent transaction or event will constitute a Change in Control.

In addition, the Company has contingent severance agreements with all Executive Officers which provide that if (i) a Change in Control (as defined therein) occurs, and (ii) within three years after the Change in Control the executive officer is discharged, other than for cause (as defined therein), or resigns because of several stated reasons including but not limited to, a reduction in compensation or responsibilities or because the Company's principal offices are moved more than twelve miles, the executive officer will be entitled to receive lump-sum payment equivalent to the amount of salary that the covered person would have received (without considering reductions after the Change in Control) during a period ending upon the later of two years after the Change in Control or one year after the termination of such person's employment and the

incentive compensation that would have been earned in the same period computed by projecting and prorating the greater of the incentive compensation amount actually payable for the full fiscal year preceding the year in which the Change in Control takes place and the amount projected for the year in which the
Change in Control takes place. In addition, under such contingent severance agreements, and in some cases under provisions in the stock option and stock bonus agreements, unvested stock options, stock appreciation rights, and restricted or contingent stock grants under stock bonus plans will vest upon such termination of employment. Certain other employment benefits will also continue during such period. The severance agreements also provide for pension benefits to the computed under the assumption that the termination of employment occurred at the end of the two-year/one-year period described above and that the five-year pension plan vesting period is not applicable. Under the terms of such agreements, all such benefits are subject to the DEFRA Limitation described above.

Although the foregoing summary of the Merger Agreement, the Option Agreement and the Employment Agreements include all material terms of such agreements, other terms are contained in such agreements. Copies of the Merger Agreement, the Option Agreement and the Employment Agreements have been filed as exhibits to the Schedule 14D-1 of which this Offer to Purchase is a part.

Dissenters' Rights

Holders of Shares do not have dissenters' rights as a result of the Offer. If the Merger is effected with a vote of the Company's shareholders and if on the record date fixed to determine the shareholders entitled to vote, the Shares are listed on the NYSE or other national securities exchange, are designated as a Nasdaq National Market security or are held of record by 2,000 or more of such shareholders, then holders of Shares will not have dissenters' rights under the FBCA. If, however, the Merger is consummated without the vote of the Company's shareholders or with a vote but the Shares are not so listed or designated or are not held of record by at least 2,000 shareholders, holders of Shares will have certain rights pursuant to the provisions of Sections 607.1301, 607.1302 and 607.1320 of the FBCA to dissent and demand determination of, and to receive payment in cash of the fair value of, their Shares. If the statutory procedures were complied with, such rights could lead to a judicial determination of the fair value required to be paid in cash to such dissenting holders for their Shares. Any such judicial determination of the fair value of Shares or the market value of the Shares could be more or less than the Offer Price or the price provided for in the Merger Agreement. Section 607.1301(2) of FBCA defines "fair value" as the value of the shares excluding any appreciation or depreciation in anticipation of the transaction unless such exclusion would be inequitable.

If any holder of Shares who asserts dissenters' rights under the FBCA fails to perfect, or effectively withdraws or loses his dissenters' rights, as provided in the FBCA, the Shares of such shareholder will be converted into the right to receive the price provided for in the Merger Agreement in accordance with the Merger Agreement. A shareholder may withdraw his notice of election to dissent by delivery to Parent of a written withdrawal of his notice of election to dissent and acceptance of the Merger.

FAILURE TO FOLLOW THE STEPS REQUIRED BY THE FBCA FOR PERFECTING DISSENTERS' RIGHTS MAY RESULT IN THE LOSS OF SUCH RIGHTS.

Going Private Transactions

The Merger would have to comply with any applicable Federal law operative at the time of its consummation. Rule 13e-3 under the Exchange Act is applicable to certain "going private" transactions. The Purchaser does not believe that Rule 13e-3 will be applicable to the Merger unless the Merger is consummated more than one year after the termination of the Offer. If applicable, Rule 13e-3 would require, among other things, that certain financial information concerning the Company and certain information relating to the fairness of the Merger and the consideration offered to minority shareholders be filed with the Commission and disclosed to minority shareholders prior to consummation of the Merger.

Other Matters

Parent intends to conduct a detailed review of the Company and its assets, corporate structure, dividend policy, capitalization, operations, properties, policies, management and personnel and to consider, subject to the terms of the Merger Agreement, what, if any, changes would be desirable in light of the circumstances then existing, and reserves the right to take such actions or effect such changes as it deems desirable. Such changes could include changes in the Company's business, corporate structure, capitalization, management or dividend policy.

Except as otherwise described in this Offer to Purchase, the Purchaser and Parent have no current plans or proposals that would relate to, or result in, any extraordinary corporate transaction involving the Company, such as a merger, reorganization or liquidation involving the Company or any of its subsidiaries, a sale or transfer of a material amount of assets of the Company or any of its subsidiaries, any changes in the Company's capitalization or dividend policy or any other material change in the Company's business, corporate structure or personnel.

13. DIVIDENDS AND DISTRIBUTIONS

Pursuant to the terms of the Merger Agreement, the Company is prohibited from taking certain of the actions described in the two succeeding paragraphs, and nothing herein shall constitute a waiver by the Purchaser or Parent of any of its rights under the Merger Agreement or a limitation of remedies available to the Purchaser or Parent for any breach of the Merger Agreement, including termination thereof.

If on or after the date of the Merger Agreement, the Company should (i) split, combine or otherwise change the Shares or its capitalization, (ii) acquire currently outstanding Shares or otherwise cause a reduction in the number of outstanding Shares or (iii) issue or sell additional Shares, shares of any other class of capital stock, other voting securities or any securities convertible into, or rights, warrants or options, conditional or otherwise, to acquire, any of the foregoing, other than Shares issued pursuant to the exercise of outstanding employee stock options, then subject to the provisions of Section 14 below, the Purchaser, in its sole discretion, may make such adjustments as it deems appropriate in the Offer Price and other terms of the Offer, including, without limitation, the number or type of securities offered to be purchased.

If, on or after the date of the Merger Agreement, the Company should declare or pay any cash dividend on the Shares or other distribution on the Shares, or issue with respect to the Shares any additional Shares, shares of any other class of capital stock, other voting securities or any securities convertible into, or rights, warrants or options, conditional or otherwise, to acquire, any of the foregoing, payable or distributable to shareholders of record on a date prior to the transfer of the Shares purchased pursuant to the Offer to the Purchaser or its nominee or transferee on the Company's stock transfer records, then, subject to the provisions of Section 14 below, (i) the Offer Price may, in the sole discretion of the Purchaser, be reduced by the amount of any such cash dividend or cash distribution and (ii) the whole of any such noncash dividend, distribution or issuance to be received by the tendering shareholders will (A) be received and held by the tendering shareholders for the account of the Purchaser and will be required to be promptly remitted and transferred by each tendering shareholder to the Depositary for the account of the Purchaser, accompanied by appropriate documentation of transfer, or (B) at the direction of the Purchaser, be exercised for the benefit of the Purchaser, in which case the proceeds of such exercise will promptly be remitted to the Purchaser. Pending such remittance and subject to applicable law, the Purchaser will be entitled to all rights and privileges as owner of any such noncash dividend, distribution, issuance or proceeds and may withhold the entire Offer Price or deduct from the Offer Price the amount or value thereof, as determined by the Purchaser in its sole discretion.

14. CERTAIN CONDITIONS OF THE OFFER

Notwithstanding any other term of the Offer or the Merger Agreement, the Purchaser shall not be required to accept for payment or, subject to any applicable rules and regulations of the Commission,

including Rule 14e-1(c) under the Exchange Act (relating to the Purchaser's obligation to pay for or return tendered Shares after the termination or withdrawal of the Offer), to pay for any Shares tendered pursuant to the Offer unless, (i) the Minimum Condition shall have been satisfied, (ii) any waiting period under the HSR Act applicable to the purchase of Shares pursuant to the Offer shall have expired or been terminated and (iii) (A) all consents, approvals, orders or authorizations of, or registrations, declarations or filings with, any Governmental Entity with jurisdiction in respect of Gaming Laws (other than New Jersey) required or necessary in connection with the Offer, the Merger and the Merger Agreement and the transactions contemplated by the Merger Agreement (including the changes in the composition of the Board of Directors of the Company) shall have been obtained and shall be in full force and effect and (B) in the case of the New Jersey Casino Control Act and the rules and regulations promulgated thereunder (the "Casino Control Act"), either, at the option of Parent, (x) all shares of Caesars New Jersey, Inc. shall have been deposited in trust with a trustee qualified and otherwise acceptable to the CCC and the related transactions and arrangements contemplated by the Merger Agreement shall be in full force and effect and, as a result, neither Parent nor the Purchaser will be required pursuant to the requirements of the Casino Control Act and the rules and regulations promulgated thereunder to deposit or place in trust any of the Shares currently owned by Parent or its affiliates or to be acquired pursuant to the Offer or (y) (1) the CCC shall have approved a form of trust agreement in form and substance reasonably satisfactory to Parent (including in respect of control by Parent of the Company and its subsidiaries) in respect of a trust arrangement for the Shares to be acquired pursuant to the Offer and the Merger pending final qualification of Parent to hold a casino license under the Casino Control Act and the rules and regulations thereunder, (2) a trustee qualified and otherwise acceptable to the CCC and Parent in respect of such trust arrangement for the Shares to be acquired pursuant to the Offer and the Merger shall have been appointed or designated and (3) the directors of the Purchaser shall have been qualified on a permanent or temporary basis to serve as directors of a company (including the Company) that either directly, or through its subsidiaries, holds a casino license under the Casino Control Act and the rules and regulations thereunder. Furthermore, notwithstanding any other term of the Offer or the Merger Agreement, the Purchaser shall not be required to accept for payment or, subject as aforesaid, to pay for any Shares not theretofore accepted for payment or paid for, and may terminate the Offer if, at any time on or after the date of the Merger Agreement and before the acceptance of such shares for payment or the payment therefor, any of the following conditions exists (other than as a result of any action or inaction of Parent or any of its subsidiaries which constitutes a breach of the Merger Agreement):

(a) there shall be instituted or pending any suit, action or proceeding (in the case of a suit, action or proceeding by a person other than a Governmental Entity, such suit, action or proceeding having a substantial likelihood of success or, in the case of a suit, action or proceeding by a Governmental Entity, such suit, action or proceeding having a reasonable likelihood of success), (i) challenging the acquisition by Parent or the Purchaser of any Shares under the Offer, seeking to restrain or prohibit the making or consummation of the Offer or the Merger, or seeking to obtain from the Company, Parent or the Purchaser any damages that are material in relation to the Company and its subsidiaries taken as whole, (ii) seeking to prohibit or materially limit the ownership or operation by the Company, Parent or any of their respective subsidiaries of a material portion of the business or assets of the Company and its subsidiaries, taken as a whole, or Parent and its subsidiaries, taken as a whole, or to compel the Company or Parent to dispose of or hold separate any material portion of the business or assets of the Company and its subsidiaries, taken as a whole, or Parent and its subsidiaries, taken as a whole, as a result of the Offer or any of the other transactions contemplated by the Merger Agreement, (iii) seeking to impose material limitations on the ability of Parent or the Purchaser to acquire or hold, or exercise full rights of ownership of, any Shares accepted for payment pursuant to the Offer including, without limitation, the right to vote such Shares on all matters properly presented to the stockholders of the Company or (iv) seeking to prohibit Parent or any of its subsidiaries from effectively controlling in any material respect the business or operations of the Company and its subsidiaries, taken as a whole;

(b) there shall be any statute, rule, regulation, judgment, order or injunction enacted, entered, enforced, promulgated or deemed applicable to the Offer or the Merger, or any other action shall be taken by any Governmental Entity or court, other than the application to the Offer or the Merger of

applicable waiting periods under the HSR Act, that is reasonably likely to result, directly or indirectly, in any of the consequences referred to in clauses (i) through (iv) of paragraph (a) above;

(c) there shall have occurred any material adverse change (or any development that, insofar as reasonably can be foreseen, is reasonably likely to result in any material adverse change) in the business, properties, assets, financial condition or results of operations of the Company and its subsidiaries, taken as a whole, except (i) fluctuations in the earnings or financial condition of the Company during the period from October 31, 1994 to consummation of the Offer that result from winnings by high-wagering customers so long as the Company has been operating on a basis consistent with its existing policies concerning extensions of credit and setting of gambling limits and so long as aggregate levels of wagering by high-wagering customers are consistent with the past experience of the Company, (ii) any material adverse effect resulting, directly or indirectly, from the prospective ownership of Shares by Parent or its affiliates, or (iii) any change which adversely affects the gaming industry in Nevada or the gaming industry in New Jersey, shall not be deemed to be a material adverse change;

(d) (i) the Board of Directors of the Company or any committee thereof shall have withdrawn or modified in a manner adverse to Parent or the Purchaser its approval or recommendation of the Offer, the Merger or the Merger Agreement, or approved or recommended any takeover proposal, (ii) the Company shall have entered into any agreement with respect to any competitive proposal in accordance with the provisions described in the second paragraph in Section 12 under "Merger Agreement--Acquisition Proposals" or (iii) the Board of Directors of the Company or any committee thereof shall have resolved to take any of the foregoing actions;

(e) any of the representations and warranties of the Company set forth in the Merger Agreement that are qualified as to materiality shall not be true and correct and any such representations and warranties that are not so qualified shall not be true and correct in any material respect, in each case at the date of the Merger Agreement and at the scheduled expiration of the Offer;

(f) the Company shall have failed to perform in any material respect any material obligation or to comply in any material respect with any material agreement or material covenant of the Company to be performed or complied with by it under the Merger Agreement;

(g) there shall have occurred (i) any general suspension of trading in, or limitation on prices for, securities (excluding any coordinated trading halt triggered solely as a result of a specified decrease in a market index), (ii) any decline in the New York Stock Exchange Composite Index by an amount in excess of 33% measured from the close of business on December 16, 1994, (iii) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (iv) any limitation (whether or not mandatory) by any Governmental Entity on, or other event that materially affects, the extension of credit by banks or other lending institutions or (v) in case of any of the foregoing existing on the date of the Merger Agreement, material acceleration or worsening thereof;

(h) the Merger Agreement shall have been terminated in accordance with its terms.

The Merger Agreement provides that the foregoing conditions are for the sole benefit of the Purchaser and Parent and may, subject to the terms of the Merger Agreement, be waived by the Purchaser and Parent in whole or in part at any time and from time to time in their sole discretion. The failure by Parent or the Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right, the waiver of any such right with respect to particular facts and circumstances shall not be deemed a waiver with respect to any other facts and circumstances and each such right shall be deemed an ongoing right that may be asserted at any time and from time to time.

15. CERTAIN LEGAL MATTERS

Based on a review of publicly available filings made by the Company with the Commission and other publicly available information concerning the Company and the review of certain information furnished by the Company to Parent and discussions of representatives of Parent with representatives of the Company

during Parent's investigation of the Company, except as otherwise described in this Offer to Purchase, neither the Purchaser nor Parent is aware of any license or regulatory permit that appears to be material to the business of the Company and its subsidiaries, taken as a whole, that might be adversely affected by the Purchaser's acquisition of Shares as contemplated herein or of any approval or other action by any Governmental Entity that would be required for the acquisition or ownership of Shares by the Purchaser as contemplated herein. Should any such approval or other action be required, the Purchaser and Parent currently contemplate that such approval or other action will be sought, except as described below under "State-Takeover Laws". While, except as otherwise expressly described in this Section 15, the Purchaser does not presently intend to delay the acceptance for payment of or payment for Shares tendered pursuant to the Offer pending the outcome of any such matter, there can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that failure to obtain any such approval or other action might not result in consequences adverse to the Company's business or that certain parts of the Company's business might not have to be disposed of if such approvals were not obtained or such other actions were not taken or in order to obtain any such approval or other action. If certain types of adverse action are taken with respect to the matters discussed below, the Purchaser could decline to accept for payment or pay for any Shares tendered. See Section 14 for certain conditions to the Offer.

Nevada Gaming Regulations. The ownership and operation of casino gaming facilities in Nevada are subject to: (i) the Nevada Act; and (ii) various local regulation. Parent's and the Company's respective gaming operations are subject to the licensing and regulatory control of the Nevada Commission, the Nevada Board, the Clark County Liquor and Gaming Licensing Board (the "CCLGLB") and the Douglas County Commission. The Nevada Commission, the Nevada Board, the CCLGLB and the Douglas County Commission are collectively referred to as the "Nevada Gaming Authorities."

Regulations of the Nevada Commission provide that control of a registered publicly traded corporation such as the Company cannot be acquired through a tender offer, merger, consolidation, acquisition of assets, management or consulting agreements or any form of takeover whatsoever without the prior approval of the Nevada Commission. Parent and the Purchaser have filed their applications for the necessary approvals with the Nevada Board and the Nevada Commission, and, assuming favorable recommendations from the Nevada Board, anticipate receiving the required approvals from the Nevada Commission in January 1995. The Nevada Board reviews and investigates applications for such approvals and makes recommendations on such applications to the Nevada Commission for final action. Under the Nevada Act, the Nevada Commission is required to use its best efforts to take final action upon an application for approval of an acquisition of control by a person making a tender offer, within 60 days of the date of filing such application and payment of the required fees. If the Nevada Commission cannot take final action within such period, the Nevada Commission is required to provide the applicant with written notice of a time certain for completion of the Nevada Board's investigation and final action by the Nevada Commission. Parent is currently registered as a publicly traded corporation and has been found suitable to own the shares of a subsidiary that has licensed gaming facilities in Nevada. Accordingly, Parent does not expect significant delays in obtaining necessary approvals in January 1995. However, there can be no assurances that such approvals will be granted or will be granted within such time. Furthermore, any such approval, if granted, does not constitute a finding, recommendation or approval by the Nevada Board or the Nevada Commission as to the accuracy or adequacy of the Offer to Purchase or the merits of the Offer and the Merger. Any representation to the contrary is unlawful.

In seeking approval to acquire control of the Company, Parent and Purchaser must satisfy the Nevada Commission as to a variety of stringent standards. The Nevada Board and the Nevada Commission will consider all relevant material facts in determining whether to grant such approval, and may consider not only the effects of the Offer and the Merger but also any other facts that are deemed relevant. Such facts may include, among others, (i) the business history of the applicant, including its record of financial stability, integrity, and success of its operations, as well as its current business activities; and (ii) whether the Offer and the Merger will create a significant risk that Parent, the Company or their subsidiaries will not satisfy their

financial obligations as they become due or satisfy all financial and regulatory requirements imposed by the Nevada Act.

The Nevada Commission must approve Parent and the Purchaser as controlling stockholders of the Company, and register Purchaser as an intermediary company prior to the Merger. Following receipt of the necessary approvals of the Nevada Commission and consummation of the Merger, the Company will be registered by the Nevada Commission as an intermediary company of Parent.

Certain officers, directors and key employees of Parent and the Purchaser prior to the Merger, or the Company after the Merger, who will be actively and directly involved in the Company's gaming activities, may also be required to be found suitable or licensed by the Nevada Gaming Authorities. The Nevada Gaming Authorities may deny an application for licensing or registration for any cause that they deem reasonable. A finding of suitability is comparable to licensing, and both require the submission of detailed personal and financial information followed by a thorough investigation. All individuals required to file applications for findings of suitability as such officers and directors of Purchaser and the Company expect to have applications filed on their behalf for the necessary approvals with the Nevada Board and the Nevada Commission by December 24, 1994, and, assuming favorable recommendations from the Nevada Board, anticipate receiving the required approvals from the Nevada Commission in January 1995. However, there can be no assurances that such approvals will be granted.

New Jersey Gaming Regulations. The Casino Control Act requires prior approval from the CCC before control of a casino licensee can be transferred. However, pursuant to an interim casino authorization, the Casino Control Act permits an entity that obtains publicly-traded securities relating to a casino licensee to acquire and own securities conferring control of such licensee prior to obtaining approval from the CCC. During the period of interim authorization the publicly traded securities of such licensee must be held in a trust pursuant to the provisions of the Casino Control Act.

As a result of the transfer of Shares to the Purchaser pursuant to the Offer and the Merger, Parent and the Purchaser will be required to timely file a completed application with the CCC for qualification as a holding and intermediary company, respectively, of a New Jersey casino licensee, which application must include a fully executed and approved, but not operative, trust agreement. Such completed application will require that the CCC render decisions with respect to the interim authorization (within 120 days of its submission) and plenary qualification (within twelve months of its decision with respect to interim authorization) of Parent and the Purchaser as holding and intermediary companies respectively of a New Jersey casino licensee. Although the Merger Agreement provides the Purchaser with the option to either (i) seek regulatory approval of a trust covering all Shares acquired pursuant to the Offer and the Merger or (ii) seek such approval with respect to a trust covering common stock of the Company's qualified New Jersey intermediary company, Parent and the Purchaser do not intend to pursue the latter option. Accordingly, Parent intends to prepare a trust agreement that will provide for the deposit of the tendered Shares in trust pending plenary qualification by the CCC. The trustee may not exercise rights incident to the ownership of the property unless the CCC orders that the trust agreement become operative, which order may not be made unless the CCC denies interim authorization; finds reasonable cause to believe that any person required to be qualified may be found unqualified; or denies plenary qualification. The CCC may grant interim authorization where it finds by clear and convincing evidence that (1) statements of compliance have been issued under the Casino Control Act; (2) the casino hotel is an approved hotel in accordance with the Casino Control Act; (3) the trustee satisfies qualification criteria applicable to casino key employees except for residency and casino experience; and (4) interim operation will best serve the interests of the public. The CCC may also permit, upon written petition of the New Jersey casino licensee, a proposed but not yet qualified new director of the Company or its qualified New Jersey intermediary company to perform duties and exercise powers relating to such position pending plenary qualification provided that such proposed director timely files a completed application with the CCC. Accordingly, the CCC is authorized to (i) approve the form of trust agreement in respect of a trust arrangement for the Shares to be acquired pending plenary qualification of Parent and Purchaser; (ii) approve a trustee of such trust agreement as satisfying the applicable qualification criteria;

and (iii) permit proposed new directors of the Company or its qualified New Jersey intermediary company to perform duties and exercise powers relating to such position pending their plenary qualifications. The Merger Agreement provides that Parent shall use its reasonable efforts to cause the foregoing trust arrangements to be in full force and effect as soon as practicable after the date of the Merger Agreement. Parent intends to cause appropriate applications to be made to the CCC as soon as practicable and anticipates a decision from the CCC with respect to the trust arrangements, Parent's trustee designate, interim authorization and proposed new directors of the Company and its qualified New Jersey intermediary company during January 1995. There can be no assurance that a favorable decision will be granted or will be granted within such time.

If a holder of publicly traded securities transfers such securities to a trust in applying for interim casino authorization and the CCC thereafter, upon denial of interim authorization or finding reasonable cause to believe that any person required to be qualified may be found unqualified, orders that the trust become operative, the applicant, during the time the trust is operative, may not participate in the earnings of the casino hotel or receive any return on its investment or debt security holdings. If the CCC thereafter denies qualification, the trustee shall dispose of the trust property. In such event, the proceeds distributed to the unqualified applicant may not exceed the lower of the actual cost of the securities to the unqualified applicant or their value calculated as if the investment has been made on the date the trust became operative. Any excess remaining proceeds shall be paid to the Casino Revenue Fund maintained in the New Jersey Department of the Treasury provided by the Casino Control Act.

The qualification criteria with respect to the holder of a casino license include its financial stability, integrity and responsibility, the integrity and adequacy of its financial resources which bear any relation to the casino project; its good character, honesty and integrity; and the sufficiency of its business ability and casino experience to establish the likelihood of a successful, efficient casino operation.

If the CCC finds that a holder of such securities is not qualified under the Casino Control Act, it has the right to take any remedial action it may deem appropriate including the right to force divesture by such qualified holder of such securities. In the event that certain disqualified holders fail to divest themselves of such securities, the CCC has the power to revoke or suspend the casino license affiliated with the casino licensee which issued the securities. If a holder is found unqualified, it is unlawful for the holder (i) to exercise, directly or through any trustee or nominee, any right conferred by such securities, or (ii) to receive any dividends or interest upon any such securities or any remuneration, in any form, from its affiliated casino licensee or services rendered or otherwise.

Ontario Gaming Regulations. Windsor Casino Limited, the Ontario corporation which operates the Windsor, Ontario facility, of which the Company owns a one-third interest, is licensed under the Gaming Control Act, 1992 (the "Ontario Act"). Under the Ontario Act, the Registrar of the Gaming Control Commission must approve any change in the directors or officers of Windsor Casino Limited. No other prior approval or consent is required under the Ontario Act in respect of the Offer or the Merger. However, under the Ontario Act, the Registrar of the Gaming Control Commission may require information and material from any person who has an interest in Windsor Casino Limited. As a result, Parent and the Purchaser are currently preparing and will submit to the Registrar the information required with respect to them. Under the Ontario Act, no person may provide goods or services for a casino or any other business operated by, on behalf of or under contract with the Ontario Casino Corporation unless, among other things, the person is registered as a supplier under that Act. Windsor Casino Limited is registered as a supplier under the Ontario Act. The Registrar has the power, subject to the Ontario Act, to grant or renew registrations, or suspend or revoke registrations. The Registrar is entitled to make such inquiries and conduct such investigations as are necessary to determine that applicants for registration meet the requirements of the Ontario Act, and to require information or material from any person who is interested in an applicant for registration or a registrant. The criteria to be considered in connection with registration under the Ontario Act include financial responsibility, integrity, honesty and the public interest. The Registrar may, at any time, subject to the provisions of the Ontario Act, revoke or suspend Windsor Casino Limited's registration under the Ontario

Act, or refuse to grant a renewal of its registration. Although Parent does not anticipate unfavorable action by the Gaming Control Commission prior to the consummation of the Offer or the Merger, in part because it has been found suitable to own the shares of a subsidiary that has licensed gaming facilities in Nevada, there can be no assurance that Windsor Casino Limited will not have its registration revoked or suspended prior to the consummation of the Offer.

Other Local Gaming Regulations. The Company is in the process of securing requisite approvals for proposed operations in Missouri, Indiana and the Cahuilla Indian Nation in California. The relevant statutes governing those operations will require that, upon consummation of the Offer and the Merger, Parent independently qualify for the requisite approvals before the Company can commence such operations. However, none of such statutes require prior approval and, as a result, the Offer is not conditioned on approvals from regulators in such jurisdictions. Upon consummation of the Merger, Parent intends to amend all such applications to seek approval for itself in such jurisdictions.

State Takeover Laws. A number of states throughout the United States have enacted takeover statutes that purport, in varying degrees, to be applicable to attempts to acquire securities of corporations that are incorporated or have assets, shareholders, executive offices or places of business in such states. In Edgar v. MITE Corp., the Supreme Court of the United States held that the Illinois Business Takeover Act, which involved state securities laws that made the takeover of certain corporations more difficult, imposed a substantial burden on interstate commerce and therefore was unconstitutional. In CTS Corp. v. Dynamics Corp. of America, however, the Supreme Court of the United States held that a state may, as a matter of corporate law and, in particular, those laws concerning corporate governance, constitutionally disqualify a potential acquiror from voting on the affairs of a target corporation without prior approval of the remaining shareholders, provided that such laws were applicable only under certain conditions.

Section 607.0901 of the FBCA purports to regulate certain business combinations of a corporation organized under Florida law, such as the Company, with a shareholder beneficially owning 10% or more of the voting stock of such corporation after the date the relevant person or entity first becomes a 10% shareholder. Section 607.0901 provides that the corporation shall not engage at any time in any business combination with such a shareholder without approval of the holders of two-thirds of the outstanding shares (other than the shares owned by the 10% shareholder), with certain exceptions, including a business combination approved by a majority of the disinterested directors of the corporation. The Company's Board of Directors has unanimously approved the Merger Agreement and the transactions contemplated thereby, including the Merger, and, therefore, Section 607.0901 of the FBCA is inapplicable to the Merger.

Section 607.0902 of the FBCA provides that an acquiror that acquires 20% or more of the shares of a Florida corporation having certain contacts in Florida may not vote such shares without the approval of a majority of the outstanding shares not owned by the acquiror, officers of the corporation or employee directors of the corporation subject to certain exceptions, including approval of such acquisition by such corporation's board of directors. The Company's Board of Directors has approved the acquisition of Shares pursuant to the Merger Agreement (including the Offer and the Merger) and the Option Agreement and, therefore, Section 607.0902 of the FBCA is inapplicable to such acquisitions.

Based on information supplied by the Company, the Purchaser does not believe that any other state takeover statutes purport to apply to the Offer. Neither the Purchaser nor Parent has currently complied with any state takeover statute or regulation. The Purchaser reserves the right to challenge the applicability or validity of any state law purportedly applicable to the Offer or the Merger and nothing in this Offer to Purchase or any action taken in connection with the Offer or the Merger is intended as a waiver of such right. If it is asserted that any state takeover statute is applicable to the Offer and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer, the Purchaser might be required to file certain information with, or to receive approvals from, the relevant state authorities, and the Purchaser might be unable to accept for payment or pay for Shares tendered pursuant to the Offer, or be delayed in

consummating the Offer or the Merger. In such case, the Purchaser may not be obliged to accept payment or pay for any Shares tendered pursuant to the Offer.

Antitrust. Parent filed a Notification and Report Form with respect to the Offer under the HSR Act on December 21, 1994. The waiting period under the HSR Act with respect to the Offer will expire at 11:59 p.m., New York City time, on the 15th calendar day after the date such form is filed, unless early termination of the waiting period is granted. In addition, the Antitrust Division or the FTC may extend the waiting period by requesting additional information or documentary material from Parent. If such request is made, such waiting period will expire at 11:59 p.m., New York City time, on the 10th day after substantial compliance by Parent with such request. Only one extension of the waiting period pursuant to a request for additional information is authorized by the HSR Act. Thereafter, such waiting period may be extended only by court order or with the consent of Parent. In practice, complying with a request for additional information or material can take a significant amount of time. In addition, if the Antitrust Division or the FTC raises substantive issues in connection with a proposed transaction, the parties frequently engage in negotiations with the relevant governmental agency concerning possible means of addressing those issues and may agree to delay consummation of the transaction while such negotiations continue.

The Merger would not require an additional filing under the HSR Act if the Purchaser owns 50% or more of the outstanding Shares at the time of the Merger or if the Merger occurs within one year after the HSR Act waiting period applicable to the Offer expires or is terminated.

The FTC and the Antitrust Division frequently scrutinize the legality under the antitrust laws of transactions such as the Purchaser's proposed acquisition of the Company. At any time before or after the Purchaser's purchase of Shares pursuant to the Offer, the Antitrust Division or FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the purchase of Shares pursuant to the Offer or seeking the divestiture of Shares acquired by the Purchaser or the divestiture of substantial assets of Parent or its subsidiaries, or the Company or its subsidiaries. Private parties may also bring legal action under the antitrust laws under certain circumstances. There can be no assurance that a challenge to the Offer on antitrust grounds will not be made or, if such a challenge is made, of the results thereof.

Litigation. On December 19, 1994, two complaints purporting to be class actions were filed against the Company and certain of its officers and directors. One complaint, entitled Fader, et al., v. Caesars World, et al., C.A. No. 9682 AE, was filed in the Circuit Court in the Fifteenth Judicial Circuit for Palm Beach County, Florida. The other complaint, Gross et al., v. Gluck et al., C.A. No. BC 118368, was filed in the Los Angeles Superior Court of the State of California. The complaints generally allege that the defendants breached their fiduciary duties by accepting the terms of the Offer and the Merger at an unfair and inadequate price, by failing to effectively expose the Company to the marketplace or create an active and open auction, by failing to adequately evaluate the Company's worth by failing to act independently and by not acting in the best interests of stockholders. The complaints seek preliminary and permanent injunctions against consummation of the Merger, damages, costs and attorneys' and accountants' fees.

16. FEES AND EXPENSES

Bear, Stearns & Co. Inc. and BT Securities Corporation are acting as Dealer Managers in connection with the Offer and have provided certain financial advisory services to Parent in connection with the Offer and the Merger. Bear, Stearns & Co. Inc. will receive from Parent (i) a dealer manager fee of $1,000,000 payable as a result of the commencement of the Offer, (ii) a financial advisory fee of $8,100,000 payable if the transaction is consummated and (iii) reimbursement of all reasonable out-of-pocket expenses. Parent has agreed to negotiate with BT Securities Corporation upon consummation of the Offer a mutually satisfactory fee as compensation for BT Securities Corporation's services, including as Dealer Manager, and to reimburse BT Securities Corporation's reasonable expenses. In addition, Parent has agreed to indemnify the Dealer

Managers and certain related persons against certain liabilities and expenses, including certain liabilities under the Federal securities laws.

The Purchaser has retained Georgeson & Company Inc. to act as the Information Agent and Bankers Trust Company to serve as the Depositary in connection with the Offer. The Information Agent and the Depositary each will receive reasonable and customary compensation for their services, be reimbursed for certain reasonable out-of-pocket expenses and be indemnified against certain liabilities and expenses in connection therewith, including certain liabilities under the Federal securities laws.

Neither the Purchaser nor Parent will pay any fees or commissions to any broker or dealer or other person (other than the Dealer Managers and the Information Agent) in connection with the solicitation of tenders of Shares pursuant to the Offer. Brokers, dealers, banks and trust companies will be reimbursed by the Purchaser upon request for customary mailing and handling expenses incurred by them in forwarding material to their customers.

17. MISCELLANEOUS

The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. Neither the Purchaser nor Parent is aware of any jurisdiction in which the making of the Offer or the tender of Shares in connection therewith would not be in compliance with the laws of such jurisdiction. To the extent the Purchaser or Parent becomes aware of any state law that would limit the class of offerees in the Offer, the Purchaser will amend the Offer and, depending on the timing of such amendment, if any, will extend the Offer to provide adequate dissemination of such information to holders of Shares prior to the expiration of the Offer. In any jurisdiction the securities, blue sky or other laws of which require the Offer to be made by a licensed broker or dealer, the Offer is being made on behalf of the Purchaser by the Dealer Managers or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION ON BEHALF OF THE PURCHASER OR PARENT NOT CONTAINED HEREIN OR IN THE LETTER OF TRANSMITTAL AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

The Purchaser or Parent has filed with the Commission the Schedule 14D-1 pursuant to Rule 14d-3 under the Exchange Act, furnishing certain additional information with respect to the Offer. In addition, the Company has filed with the Commission the Schedule 14D-9 pursuant to Rule 14d-9 under the Exchange Act, setting forth its recommendation with respect to the Offer and the reasons for such recommendation and furnishing certain additional related information. Such Schedules and any amendments thereto, including exhibits, should be available for inspection and copies should be obtainable in the manner set forth in Sections 8 and 9 (except that they will not be available at the regional offices of the Commission).

ITT Florida Enterprises, Inc.

December 23, 1994

SCHEDULE I

DIRECTORS AND EXECUTIVE OFFICERS OF PARENT AND THE PURCHASER

1. DIRECTORS AND EXECUTIVE OFFICERS OF PARENT. The name, business address, present principal occupation or employment and five-year employment history of each of the directors and executive officers of Parent are set forth below. Unless otherwise indicated below, the business address of each such director and each such executive officer is 1330 Avenue of the Americas, New York, New York 10019-5490. Unless otherwise indicated below, each occupation set forth opposite an individual's name refers to employment with Parent. All such directors and executive officers listed below, except Mr. David-Weill, who is a citizen of France, are citizens of the United States.

NAME AND BUSINESS ADDRESS	POSITION WITH PARENT; PRINCIPAL OCCUPATION OR 5-YEAR EMPLOYMENT HISTORY
Bette B. Anderson Kelly, Anderson & Associates, Inc. 1020 19th Street, N.W. (Suite 800) Washington, D.C. 20036	Mrs. Anderson was elected President of Kelly, Anderson & Associates, Inc., a Washington-based management firm, in 1990. She had previously been executive vice president of the firm. Mrs. Anderson was formerly a partner in the public affairs company of Anderson, Benjamin, Read & Haney. Mrs. Anderson is a director of Riverwood International Corporation, ITT Educational Services, Inc., a subsidiary of Parent, ITT Financial Corporation, a subsidiary of Parent, and Manville Corporation.
Rand V. Araskog	Mr. Araskog joined Parent in 1966. He has been chief executive since 1979 and chairman since 1980. In March 1991, he assumed the title of president. Mr. Araskog is a director of Hartford Fire Insurance Company and ITT Sheraton Corporation, subsidiaries of Parent. He is a director of Alcatel Alsthom of France, in which Parent holds a seven percent interest. He is a director of Dow Jones & Company, Inc., Dayton-Hudson Corporation, Rayonier Inc. and Shell Oil Company.
Nolan D. Archibald The Black & Decker Corporation 701 East Joppa Road Towson, MD 21204	Mr. Archibald joined Black & Decker in 1985 as president and chief operating officer, and since that time has been elected chief executive officer and chairman.
Robert A. Burnett Meredith Corporation 1716 Locust Street Des Moines, IA 50309	Mr. Burnett served as chairman of Meredith Corporation from 1988 until his retirement in 1992. He served as president and chief executive officer from 1977 and relinquished the latter office in 1989. He is a director of Hartford Fire Insurance Company, a subsidiary of Parent. Mr. Burnett is a director of Dayton-Hudson Corporation, Meredith Corporation, Whirlpool Corporation, and Midwest Resources Inc.
Michel David-Weill Lazard Freres & Co. One Rockefeller Plaza New York, NY 10020	Mr. David-Weill is Senior Partner of Lazard Freres & Co., a position he has held since 1977. Mr. David-Weill is a director of BSM Gervais Danon in France, Fiat S.p.A. in Italy, Pearson plc in England, and The Dannon Company, Inc. in the United States, as well as other companies of which Lazard Freres & Cie., Paris, or one of its affiliates, is the principal shareholder.
S. Parker Gilbert Morgan Stanley Group Inc. 1251 Avenue of the Americas (23rd Floor) New York, NY 10020	Mr. Gilbert retired in 1990 from Morgan Stanley Group Inc., where he served as chairman from 1984 until he retired. Mr. Gilbert is a director of Morgan Stanley Group Inc., Burlington Resources Inc., and Taubman Centers, Inc.

NAME AND BUSINESS ADDRESS	POSITION WITH PARENT; PRINCIPAL OCCUPATION OR 5-YEAR EMPLOYMENT HISTORY
Paul G. Kirk, Jr. Sullivan & Worcester One Post Office Square Boston, MA 02109	Mr. Kirk became a partner in the law firm of Sullivan & Worcester in 1977 and is presently of Counsel to the firm. Following his resignation in 1989 as chairman of the Democratic National Committee, he returned to Sullivan & Worcester as a partner in general corporate practice at the firm's Boston and Washington offices. Mr. Kirk is a director of Kirk-Sheppard & Co., of which he is also chairman and treasurer. He is a trustee of the Bradley Real Estate Trust, and a director of Hartford Fire Insurance Company, a subsidiary of Parent, and Rayonier Inc.
Edward C. Meyer Cilluffo Associates, L.P. 551 Madison Avenue New York, NY 10022	General Meyer has been an international consultant since 1985. He is the Chairman of GRC International and Managing Partner of Cilluffo Associates, an investment group. He is a member of the supervisory board of Compagnie Financiere Alcatel. He is a director of FMC Corporation, its joint venture company in Turkey, Savunma Sanyii A.S., United Defense Group and the Brown Group. General Meyer also serves as a director of ITT Financial Corporation, a subsidiary of ITT.
Benjamin F. Payton Tuskegee University Kresge Center (Third Floor) Tuskegee, AL 36083	Dr. Payton has been president of Tuskegee University in Alabama since 1981. Dr. Payton is a director of ITT Sheraton Corporation, a subsidiary of ITT. He is a director of Amsouth Bancorporation, Amsouth Bank, the Liberty Corporation, Praxair Corporation, Sonat Inc., Morrisons, Inc. and the Southern Regional Council.
Margita E. White The Association for Maximum Service Television, Inc. 1776 Massachusetts Avenue, N.W. (Suite 310) Washington, D.C.	Mrs. White joined the Association for Maximum Service Television, Inc. as president in 1987 after serving as an independent consultant and coordinator of the Television Operators Caucus, Inc. She is a director of ITT Sheraton Corporation, a subsidiary of ITT, ITT Educational Services, Inc., a subsidiary of Parent, Leitch Technology Corporation, The Growth Fund of Washington, and Washington Mutual Investors Fund.
Robert A. Bowman	Mr. Bowman has been Executive Vice President and Chief Financial Officer since September 1992. From July to September 1992, Mr. Bowman served as Executive Vice President and Chief Financial Officer of ITT Sheraton Corporation. From April 1991 to July 1992, Mr. Bowman served as Senior Vice President and Chief Financial Officer of ITT Sheraton Corporation. From January to April 1991, Mr. Bowman was an economics commentator on an American Broadcasting Company affiliated television station in Detroit. Mr. Bowman was Treasurer of the State of Michigan from 1983 until December 1990.
Juan C. Cappello	Mr. Cappello has been Senior Vice President and Director of Corporate Relations since 1984.
Dale R. Comey	Mr. Comey has been Executive Vice President since May 1990. Prior to that he served as President and Chief Operating Officer--Property/Casualty of Hartford Fire Insurance Company.

NAME AND BUSINESS ADDRESS	POSITION WITH PARENT; PRINCIPAL OCCUPATION OR 5-YEAR EMPLOYMENT HISTORY
Gerald C. Crotty	Mr. Crotty has been Senior Vice President of Parent since October 1994 and Chairman, President and Chief Executive Officer of ITT Communications and Information Services, Inc. from October 1993 to the present. He served as Vice President of Parent from August 1991 until September 1994, and also served as President and Chief Operating Officer of ITT Consumer Financial Corporation from February 1992 until September 1993. Mr. Crotty served for several years as Secretary to the Governor of the State of New York ending in July 1991.
Jon F. Danski	Mr. Danski has been Senior Vice President and Controller of Parent since October 1993. Prior to that Mr. Danski served as Vice President and General Auditor of RJR Nabisco Corporation from August 1989 until October 1993.
D. Travis Engen	Mr. Engen has been Executive Vice President of Parent since January 1991. Prior to that he served as Senior Vice President of Parent and Chief Executive Officer of ITT Defense, Inc. from 1987 until January 1991.
Louis J. Giuliano	Mr. Giuliano has been Senior Vice President of Parent and Chief Executive Officer of ITT Defense & Electronics, Inc. from June 1991 to the present. Prior to that Mr. Giuliano served as Vice President of Parent and Vice President/Director-Defense Operations of ITT Defense, Inc. from 1988 until June 1991.
Timothy D. Leuliette	Mr. Leuliette has been Senior Vice President of Parent and President and Chief Executive Officer of ITT Automotive, Inc. since September 1991. Prior to that Mr. Leuliette served as President and Chief Executive of Siemens Automotive and Vice President of Siemens A.G. from 1988 to September 1991.
Daniel F. Lundy	Mr. Lundy has been Senior Vice President and Director of Taxes of Parent since 1982.
Bertil T. Nilsson	Mr. Nilsson has been Senior Vice President of Parent and President and Chief Executive Officer of ITT Fluid Technology Corporation from September 1992 to the present. He served as Vice President of Parent between 1987 and September 1992, and as President and Chief Operating Officer of ITT Fluid Technology Corporation from October 1991 to August 1992.
Ralph W. Pausig	Mr. Pausig has been Senior Vice President and Director of Human Resources of Parent since 1987.
Ann N. Reese	Ms. Reese has been Senior Vice President and Treasurer of Parent since September 1992. Ms. Reese served as Vice President and Assistant Treasurer of Parent from January 1989 to August 1992.
Frank J. Schultz	Mr. Schultz has been Senior Vice President of Parent and Chairman, President and Chief Executive Officer of ITT Financial Corporation from June 1992 to the present. Mr. Schultz served as Executive Vice President of BankAmerica Corp. from 1987 to June 1992.

NAME AND BUSINESS ADDRESS	POSITION WITH PARENT; PRINCIPAL OCCUPATION OR 5-YEAR EMPLOYMENT HISTORY
Samuel L. Simmons	Mr. Simmons has been Senior Vice President of Parent since 1987.
Richard S. Ward	Mr. Ward has been Executive Vice President and General Counsel of Parent since May 1994. Prior to that Mr. Ward served as Senior Vice President and General Counsel of Parent from September 1992 to May 1994 and as Vice President and Associate General Counsel of Parent from 1984 to August 1992.

2. DIRECTORS AND EXECUTIVE OFFICERS OF THE PURCHASER. The name, business address, present principal occupation or employment and five-year employment history of each of the directors and executive officers of the Purchaser are set forth below. The business address of each such director and executive officer is ITT Florida Enterprises, Inc., c/o ITT Corporation, 1330 Avenue of the Americas, New York, New York 10019-5490. Unless otherwise indicated below, each occupation set forth opposite an individual's name refers to employment with Purchaser. All such directors and executive officers listed below are citizens of the United States.

NAME OF DIRECTOR/EXECUTIVE OFFICER	POSITION WITH THE PURCHASER; PRINCIPAL OCCUPATION OR EMPLOYMENT; 5-YEAR EMPLOYMENT HISTORY
Rand V. Araskog	Chairman of the Board of Directors, President and Chief Executive Officer of the Purchaser. Mr. Araskog has been Chairman of the Board of Directors, President and Chief Executive of Parent during the past five years.
Robert A. Bowman	Director, Executive Vice President, Chief Financial Officer, Controller, Treasurer and Secretary. Mr. Bowman has been Executive Vice President and Chief Financial Officer of Parent since September 1992. From July to September 1992, Mr. Bowman served as Executive Vice President and Chief Financial Officer of ITT Sheraton Corporation. From April 1991 to July 1992, Mr. Bowman served as Senior Vice President and Chief Financial Officer of ITT Sheraton Corporation. From January to April 1991, Mr. Bowman was an economics commentator on an American Broadcasting Company affiliated television station in Detroit. He was Treasurer of the State of Michigan from 1983 until December 1990.
Richard S. Ward	Director, Executive Vice President and General Counsel. Mr. Ward has been Executive Vice President and General Counsel of Parent since May 1994. Prior to that time, Mr. Ward served as Senior Vice President and General Counsel of Parent from September 1992 to May 1994 and as Vice President and Associate General Counsel of Parent from 1984 to August 1992.
Walter F. Diehl	Vice President and Assistant Secretary. Mr. Diehl has been Vice President and Associate General Counsel of Parent during the past five years.
Ann N. Reese	Senior Vice President and Assistant Treasurer. Ms. Reese has been Senior Vice President and Treasurer of Parent since September 1992. She served as Vice President and Assistant Treasurer of Parent from January 1989 to August 1992.

NAME OF DIRECTOR/EXECUTIVE OFFICER	POSITION WITH THE PURCHASER; PRINCIPAL OCCUPATION OR EMPLOYMENT; 5-YEAR EMPLOYMENT HISTORY
Jon F. Danski	Senior Vice President and Assistant Controller. Mr. Danski has been Vice President and Controller of Parent since October 1993. Prior to that time, Mr. Danski served as Vice President and General Auditor of RJR Nabisco Corporation from August 1989 until October 1993.
James P. Whitson	Assistant Treasurer. Mr. Whitson has been Vice President and Director of Tax Administration of Parent since July 1991. Prior to that he served as Director of Tax Administration of Parent.
Richard F. Irwin	Assistant Secretary. Mr. Irwin has been Vice President and General Tax Counsel of Parent since July 1991. Prior to that he served as General Tax Counsel of Parent.

Manually signed facsimile copies of the Letter of Transmittal will be accepted. The Letter of Transmittal, certificates for Shares and any other required documents should be sent or delivered by each shareholder of the Company or such shareholder's broker, dealer, commercial bank, trust company or other nominee to the Depositary at one of its addresses set forth below.

The Depositary for the Offer is:

BANKERS TRUST COMPANY

By Hand/Overnight Courier:	By Mail:	Facsimile Transmission
Bankers Trust Company Corporate Trust & Agency Group Receipt & Delivery Window 123 Washington Street, 1st Floor New York, NY 10006	Bankers Trust Company Corporate Trust & Agency Group Reorganization Dept. P.O. Box 1458 Church Street Station New York, NY 10008-1458	(for Eligible Institutions only): (212) 250-6275/3290

Confirm Receipt of Notice of Guaranteed Delivery by Telephone:
(212) 250-6270

Questions and requests for assistance or for additional copies of this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may be directed to the Information Agent or the Dealer Managers at their respective telephone numbers and locations listed below. You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

GEORGESON & COMPANY INC.
Wall Street Plaza
New York, NY 10005
Call Collect: (212) 509-6240
Call Toll-Free: (800) 223-2064
BANKS AND BROKERS CALL COLLECT (212) 440-9800

The Dealer Managers for the Offer are:

BEAR, STEARNS & CO. INC. 245 Park Avenue New York, NY 10167 (800) 791-2327	BT SECURITIES CORPORATION 130 Liberty Street New York, NY 10006 (212) 250-8719 (Call Collect)

Exhibit(a)(2)

LETTER OF TRANSMITTAL
TO TENDER SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED JUNIOR PARTICIPATING PREFERRED STOCK PURCHASE RIGHTS)

OF

CAESARS WORLD, INC.

AT

$67.50 NET PER SHARE
PURSUANT TO THE OFFER TO PURCHASE DATED DECEMBER 23, 1994

BY

ITT FLORIDA ENTERPRISES, INC.
A WHOLLY OWNED SUBSIDIARY OF

ITT CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, JANUARY 24, 1995, UNLESS THE OFFER IS EXTENDED.

The Depositary for the Offer is:

BANKERS TRUST COMPANY

By Mail:	By Hand/Overnight Delivery:
BANKERS TRUST COMPANY CORPORATE TRUST & AGENCY GROUP REORGANIZATION DEPT. P.O. BOX 1458 CHURCH STREET STATION NEW YORK, NY 10008-1458	BANKERS TRUST COMPANY CORPORATE TRUST & AGENCY GROUP RECEIPT & DELIVERY WINDOW 123 WASHINGTON STREET, 1ST FLOOR NEW YORK, NY 10006

By Facsimile Transmission:

(212) 250-6275/3290
(FOR ELIGIBLE INSTITUTIONS ONLY)

Confirm by Telephone:

(212) 250-6270

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA A FACSIMILE TRANSMISSION TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

THE INSTRUCTIONS SET FORTH IN THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

This Letter of Transmittal is to be used either if certificates are to be forwarded herewith or if delivery of Shares (as defined below) is to be made by book-entry transfer to an account maintained by the Depositary at The Depository Trust Company or the Midwest Securities Trust Company (each, a "Book-Entry Transfer Facility") pursuant to the procedures set forth in Section 2 of the Offer to Purchase. Shareholders who deliver Shares by book-entry transfer are referred to herein as "Book-Entry Shareholders" and other shareholders who deliver shares are referred to herein as "Certificate Shareholders". Shareholders whose certificates for Shares are not immediately available or who cannot deliver either the certificates for, or a Book-Entry Confirmation (as defined in Section 2 of the Offer to Purchase) with respect to, their Shares and all other documents required hereby to the Depositary prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase) must tender their Shares in accordance with the guaranteed delivery procedures set forth in Section 2 of the Offer to Purchase. See Instruction 2.

[_]CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO AN ACCOUNT MAINTAINED BY THE DEPOSITARY WITH A BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING (ONLY PARTICIPANTS IN A BOOK-ENTRY TRANSFER FACILITY MAY DELIVER SHARES BY BOOK-ENTRY TRANSFER):

Name of Tendering Institution _____

Check Box of Book-Entry Transfer Facility:

[_]The Depository Trust Company [_]Midwest Securities Trust Company

Account Number _____ Transaction Code Number _____

[_]CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Owner(s) _____

Window Ticket Number (if any) _____

Date of Execution of Notice of Guaranteed Delivery _____

Name of Institution that Guaranteed Delivery _____

IF DELIVERED BY BOOK-ENTRY TRANSFER, CHECK BOX OF BOOK-ENTRY TRANSFER FACILITY:

[_]The Depository Trust Company [_]Midwest Securities Trust Company

Account Number _____ Transaction Code Number _____

DESCRIPTION OF SHARES TENDERED

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN, IF BLANK, EXACTLY AS NAME(S) APPEAR(S) ON CERTIFICATE(S))	SHARES TENDERED (ATTACH ADDITIONAL SIGNED LIST IF NECESSARY)		
	CERTIFICATE NUMBER(S)(1)	TOTAL NUMBER OF SHARES REPRESENTED BY CERTIFICATE(S)(1)	NUMBER OF SHARES TENDERED(2)
	TOTAL SHARES		

(1) Need not be completed by Book-Entry Shareholders.
(2) Unless otherwise indicated, it will be assumed that all Shares described above are being tendered. See Instruction 4.

NOTE: SIGNATURES MUST BE PROVIDED BELOW
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

The undersigned hereby tenders to ITT Florida Enterprises, Inc., a Florida corporation (the "Purchaser") and a wholly owned subsidiary of ITT Corporation, a Delaware corporation, the above-described shares of Common Stock (the "Common Stock"), par value $0.10 per share, of Caesars World, Inc., a Florida corporation (the "Company"), together with the associated junior participating preferred stock purchase rights (the "Rights") issued pursuant to the Rights Agreement dated as of January 10, 1989, as amended (the "Rights Agreement"), between the Company and First Chicago Trust Company of New York, as Rights Agent (the Common Stock, together with the Rights, being herein referred to as the "Shares"), pursuant to the Purchaser's offer to purchase all outstanding Shares at the price set forth in the Offer to Purchase dated December 23, 1994 (the "Offer to Purchase"), net to the seller in cash, in accordance with the terms and conditions of the Offer to Purchase and this Letter of Transmittal (which, together with any amendments or supplements thereto or hereto, collectively constitute the "Offer"), receipt of which is hereby acknowledged.

Upon the terms of the Offer (including if the Offer is extended or amended, the terms or conditions of any such extension or amendment), the undersigned hereby sells, assigns and transfers to, or upon the order of, the Purchaser all right, title and interest in and to all the Shares that are being tendered hereby and that are accepted for payment, and paid for by the Purchaser (and any and all other Shares or other securities or rights issued in respect thereof on or after December 19, 1994) and irrevocably constitutes and appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares (and any such other Shares or securities or rights), with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (a) deliver certificates for such Shares (and any such other Shares or securities or rights) or transfer ownership of such Shares (and any such other Shares or securities or rights) on the account books maintained by a Book-Entry Transfer Facility together, in any such case, with all accompanying evidences of transfer and authenticity to, or upon the order of, the Purchaser, (b) present such Shares (and any such other Shares or securities or rights) for transfer on the Company's books and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares (and any such other Shares or securities or rights), all in accordance with the terms of the Offer.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the tendered Shares (and any and all other Shares or other securities or rights issued in respect thereof on or after December 19, 1994), the tender of the tendered Shares complies with Rule 14e-4 under the Securities Exchange Act of 1934, as amended, and, when the same are accepted for payment by the Purchaser, the Purchaser will acquire good title thereto, free and clear of all liens, restrictions, claims and encumbrances. The undersigned will, upon request, execute any additional documents deemed by the Depositary or the Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the tendered Shares (and any such other Shares or other securities or rights).

All authority conferred or agreed to be conferred pursuant to this Letter of Transmittal shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable.

The undersigned hereby irrevocably appoints Rand V. Araskog, Robert A. Bowman and Richard S. Ward, in their respective capacities as officers of the Purchaser, and any individual who shall hereafter succeed to any such office of the Purchaser, and each of them, and any other designees of the Purchaser, the attorneys-in-fact and proxies of the undersigned, each with full power of substitution, to vote at any annual, special or adjourned meeting of the Company's shareholders or otherwise in such manner as each such attorney and proxy or his substitute shall in his sole discretion deem proper with respect to, to execute any written consent concerning any matter as each such attorney and proxy or his substitute shall in his sole discretion deem proper with respect to, and to otherwise act as each such attorney and proxy or his substitute shall in his sole discretion deem proper with respect to, all the Shares tendered hereby (and any and all other Shares or other securities or rights issued in respect thereof on or after December 19, 1994) that have been accepted for payment by the Purchaser prior to the time any such action is taken and with respect to which the undersigned is entitled to vote. This appointment is effective when, and only to the extent that, the Purchaser

accepts for payment such Shares as provided in the Offer to Purchase. This power of attorney and proxy are irrevocable and are granted in consideration of the acceptance for payment of such Shares in accordance with the terms of the Offer. Such acceptance for payment shall, without further action, revoke all prior powers of attorney and proxies appointed by the undersigned at any time with respect to such Shares (and any such other Shares or securities or rights) and no subsequent powers of attorney or proxies will be appointed by the undersigned, or be effective, with respect thereto.

The undersigned understands that the valid tender of Shares pursuant to any one of the procedures described in Section 2 of the Offer to Purchase and in the Instructions hereto will constitute a binding agreement between the undersigned and the Purchaser upon the terms and subject to the conditions of the Offer (including if the Offer is

extended or amended, the terms or conditions of any such extension or amendment). Without limiting the foregoing, if the price to be paid in the Offer is amended in accordance with the Offer, the price to be paid to the undersigned will be the amended price notwithstanding the fact that a different price is stated in this Letter of Transmittal.

Unless otherwise indicated herein under "Special Payment Instructions", please issue the check for the purchase price and/or any certificates for Shares not tendered or accepted for payment in the name(s) of the registered holder(s) appearing under "Description of Shares Tendered". Similarly, unless otherwise indicated under "Special Delivery Instructions", please mail the check for the purchase price and/or any certificates for Shares not tendered or accepted for payment (and accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing under "Description of Shares Tendered". In the event that both the Special Delivery Instructions and the Special Payment Instructions are completed, please issue the check for the purchase price and/or any certificates for Shares not accepted for payment (and any accompanying documents, as appropriate) in the name of, and deliver such check and deliver or return such certificates (and any accompanying documents, as appropriate) to, the person or persons so indicated. The undersigned recognizes that the Purchaser has no obligation pursuant to the Special Payment Instructions to transfer any Shares from the name of the registered holder thereof if the Purchaser does not accept for payment any of the Shares so tendered.

SPECIAL PAYMENT INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if certificates for Shares are not tendered or not accepted for payment and/or the check for the purchase price of Shares accepted for payment is to be issued in the name of someone other than the undersigned, or if Shares delivered by book-entry transfer that are not accepted for payment are to be returned by credit to an account maintained at a Book-Entry Transfer Facility other than the account indicated above.

Issue [_] Check [_] Certificates to:

Name _____
(PLEASE PRINT)

Address _____

_____

_____
(INCLUDE ZIP CODE)

_____
(TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER)

Credit unpurchased Shares by book-entry transfer to the Book-Entry Transfer Facility account set forth below.

[_] The Depository Trust Company
[_] Midwest Securities Trust Company

_____
(ACCOUNT NUMBER)

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if certificates for Shares are not tendered or not accepted for payment and/or the check for the purchase price of Shares accepted for payment is to be sent to someone other than the undersigned or to the undersigned at an address other than that indicated above.

Mail [_] Check [_] Certificates to:

Name _____
(PLEASE PRINT)

Address _____

_____

_____
(INCLUDE ZIP CODE)

SIGN HERE
(ALSO COMPLETE SUBSTITUTE FORM W-9 BELOW)

_____

_____
(SIGNATURE(S) OF SHAREHOLDER(S))

Dated: _____, 199

(Must be signed by registered holder(s) as name(s) appear(s) on the certificate(s) for the Shares or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, please provide the following information and see Instruction 5.)

Name(s): _____
(PLEASE PRINT)

Name of Firm: _____

Capacity (full title): _____

Address: _____

_____
(INCLUDE ZIP CODE)

Area Code and Telephone No.: _____

Taxpayer Identification or Social Security No.: _____

(ALSO COMPLETE SUBSTITUTE FORM W-9 BELOW)

GUARANTEE OF SIGNATURE(S)
(IF REQUIRED--SEE INSTRUCTIONS 1 AND 5)

Authorized Signature: _____

Name: _____
(PLEASE PRINT)

Name of Firm: _____

Address: _____

_____
(INCLUDE ZIP CODE)

Area Code and Telephone No.: _____

Dated: _____, 199

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. GUARANTEE OF SIGNATURES. Except as otherwise provided below, all signatures on this Letter of Transmittal must be guaranteed by a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agents Medallion Program or the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program (an "Eligible Institution"). No signature guarantee is required on this Letter of Transmittal (a) if this Letter of Transmittal is signed by the registered holder(s) (which term, for purposes of this document, shall include any participant in a Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Shares) of Shares tendered herewith, unless such holder(s) has completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the reverse hereof, or (b) if such Shares are tendered for the account of an Eligible Institution. See Instruction 5.

2. DELIVERY OF LETTER OF TRANSMITTAL AND CERTIFICATES. This Letter of Transmittal is to be completed by shareholders either if certificates are to be forwarded herewith or, unless an Agent's Message (as defined below) is utilized, if delivery of Shares is to be made pursuant to the procedures for book-entry transfer set forth in Section 2 of the Offer to Purchase. For a shareholder validly to tender Shares pursuant to the Offer, either (a) a properly completed and duly executed Letter of Transmittal (or facsimile thereof), together with any required signature guarantees or an Agent's Message (in connection with book-entry transfer) and any other required documents, must be received by the Depositary at one of its addresses set forth herein prior to the Expiration Date and either (i) certificates for tendered Shares must be received by the Depositary at one of such addresses prior to the Expiration Date or (ii) Shares must be delivered pursuant to the procedures for book-entry transfer set forth herein and a Book-Entry Confirmation must be received by the Depositary prior to the Expiration Date or (b) the tendering shareholder must comply with the guaranteed delivery procedures set forth below and in Section 2 of the Offer to Purchase.

Shareholders whose certificates for Shares are not immediately available or who cannot deliver their certificates and all other required documents to the Depositary or complete the procedures for book-entry transfer prior to the Expiration Date may tender their Shares by properly completing and duly executing the Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedures set forth in Section 2 of the Offer to Purchase.

Pursuant to such procedures, (a) such tender must be made by or through an Eligible Institution, (b) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by the Purchaser must be received by the Depositary prior to the Expiration Date and (c) the certificates for all physically delivered Shares or a Book-Entry Confirmation with respect to all tendered Shares, as well as a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantees (or, in the case of book-entry transfer, an Agent's Message) and any other documents required by this Letter of Transmittal, must be received by the Depositary within five trading days on the New York Stock Exchange after the date of execution of the Notice of Guaranteed Delivery.

The term "Agent's Message" means a message, transmitted by a Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgement from the participant in such Book-Entry Transfer Facility tendering the Shares, that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Purchaser may enforce such agreement against the participant.

THE METHOD OF DELIVERY OF SHARES, THIS LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH ANY BOOK-ENTRY TRANSFER FACILITY, IS AT THE ELECTION AND RISK OF THE TENDERING SHAREHOLDER. SHARES WILL BE DEEMED DELIVERED ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL, WITH RETURN RECEIPT REQUESTED AND PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

No alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased. All tendering shareholders, by execution of this Letter of Transmittal (or facsimile thereof), waive any right to receive any notice of the acceptance of their Shares for payment.

3. INADEQUATE SPACE. If the space provided herein is inadequate, the certificate numbers and/or the number of Shares should be listed on a separate schedule attached hereto.

4. PARTIAL TENDERS (APPLICABLE TO CERTIFICATE SHAREHOLDERS ONLY). If fewer than all the Shares evidenced by any certificate submitted are to be tendered, fill in the number of Shares that are to be tendered in the box entitled "Number of Shares Tendered". In any such case, new certificate(s) for the remainder of the Shares that were evidenced by the old certificate(s) will be sent to the registered holder, unless otherwise provided in the appropriate box on this Letter of Transmittal as soon as practicable after the expiration of the Offer. All Shares represented by certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. SIGNATURES ON LETTERS OF TRANSMITTAL; STOCK POWERS AND ENDORSEMENTS. If this Letter of Transmittal is signed by the registered holder of the Shares tendered hereby, the signature must correspond with the name as written on the face of the certificate(s) without any change whatsoever.

If any of the Shares tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any tendered Shares are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

If this Letter of Transmittal or any certificates or stock powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and proper evidence satisfactory to the Purchaser of their authority so to act must be submitted.

When this Letter of Transmittal is signed by the registered holder(s) of the Shares listed transmitted hereby, no endorsements of certificates or separate stock powers are required unless payment is to be made to or certificates for Shares not tendered or accepted for payment are to be issued to a person other than the registered holder(s). Signatures on such certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of certificates listed, the certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered owner or owners appear on the certificates. Signatures on such certificates or stock powers must be guaranteed by an Eligible Institution.

6. STOCK TRANSFER TAXES. The Purchaser will pay any stock transfer taxes with respect to the transfer and sale of Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price is to be made to, or if certificates for Shares not tendered or accepted for payment are to be registered in the name of, any persons other than the registered holder(s), or if tendered certificates are registered in the name of any person other than the person(s) signing this Letter of Transmittal, the amount of any stock transfer taxes (whether imposed on the registered holder(s) or such person) payable on account of the transfer to such person will be deducted from the purchase price unless satisfactory evidence of the payment of such taxes or exemption therefrom is submitted.

EXCEPT AS PROVIDED IN THIS INSTRUCTION 6, IT WILL NOT BE NECESSARY FOR TRANSFER TAX STAMPS TO BE AFFIXED TO THE CERTIFICATES LISTED IN THIS LETTER OF TRANSMITTAL.

7. SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS. If a check is to be issued in the name of and/or certificates for Shares not tendered or not accepted for payment are to be returned to, a person other than the signer of this Letter of Transmittal or if a check is to be sent and/or such certificates are to be returned to a person other than the signer of this Letter of Transmittal or to an address other than that shown above, the appropriate boxes on this Letter of Transmittal should be completed. Any shareholder(s) delivering Shares by book-entry transfer may request that Shares not accepted for payment be credited to such account maintained at a Book-Entry Transfer Facility as such shareholder(s) may designate.

8. WAIVER OF CONDITIONS. Subject to the terms of the Offer, the Purchaser reserves the right to waive any of the specified conditions of the Offer, in whole or in part, in the case of any Shares tendered, except that the Purchaser shall not waive the Minimum Condition (as defined in the Offer to Purchase) without the Company's consent.

9. 31% BACKUP WITHHOLDING. Under U.S. Federal income tax law, a shareholder whose tendered Shares are accepted for payment is required to provide the Depositary with such shareholder's correct taxpayer identification number ("TIN") (i.e., social security number or employer identification number) on Substitute Form W-9 below. If the Depositary is not provided with the correct TIN, the Internal Revenue Service may subject the shareholder or other payee to a $50 penalty. In addition, payments that are made to such shareholder or other payee with respect to Shares purchased pursuant to the Offer may be subject to a 31% backup withholding.

Certain shareholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting

requirements. In order for a foreign individual to qualify as an exempt recipient, the shareholder must submit a Form W-8, signed under penalties of perjury, attesting to that individual's exempt status. A Form W-8 can be obtained from the Depositary. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for more instructions.

If backup withholding applies, the Depositary is required to withhold 31% of any such payments made to the shareholder or other payee. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld, provided that the required information is given to the Internal Revenue Service. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

The box in Part 3 of the Substitute Form W-9 may be checked if the tendering shareholder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. If the box in Part 3 is checked, the shareholder or other payee must also complete the Certificate of Awaiting Taxpayer Identification Number below in order to avoid backup withholding. Notwithstanding that the box in Part 3 is checked and the Certificate of Awaiting Taxpayer Identification Number is completed, the Depositary will withhold 31% on all payments made prior to the time a properly certified TIN is provided to the Depositary. However, such amounts will be refunded to such shareholder if a TIN is provided to the Depositary within 60 days.

The shareholder is required to give the Depositary the TIN (i.e., social security number or employer identification number) of the record owner of the Shares. If the Shares are in more than one name or are not in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report.

10. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Requests for additional copies of the Offer to Purchase, this Letter of Transmittal, the Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 should be directed to the Information Agent at its address set forth below. Questions or requests for assistance may be directed to the Information Agent.

IMPORTANT: THIS LETTER OF TRANSMITTAL OR A FACSIMILE COPY THEREOF (TOGETHER WITH CERTIFICATES FOR, OR A BOOK-ENTRY CONFIRMATION WITH RESPECT TO, TENDERED SHARES WITH ANY REQUIRED SIGNATURE GUARANTEES AND ALL OTHER REQUIRED DOCUMENTS) MUST BE RECEIVED BY THE DEPOSITARY, OR THE NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE DEPOSITARY, PRIOR TO THE EXPIRATION DATE.

	PAYER'S NAME: BANKERS TRUST COMPANY	
SUBSTITUTE FORM W-9 DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN)	PART 1--PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW. PART 2--CERTIFICATES--Under penalties of perjury, I certify that: (1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued for me) and (2) I am not subject to backup withholding either because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding. CERTIFICATION INSTRUCTIONS--You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you are subject to backup withholding, you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out such item (2). SIGNATURE _____ DATE _____	Social Security Number Employer Identification Number OR _____ PART 3 -- Awaiting TIN [_]

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 3 OF SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a Taxpayer Identification Number has not been issued to me, and either (1) I have mailed or delivered an application to receive a Taxpayer Identification Number to the appropriate Internal Revenue Service Center or Social Security Administration Officer or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a Taxpayer Identification Number by the time of payment, 31% of all reportable payments made to me will be withheld, but that such amounts will be refunded to me if I then provide the Depositary a Taxpayer Identification Number within sixty (60) days.

Signature _____ Date _____

Questions and requests for assistance or additional copies of the Offer to Purchase, this Letter of Transmittal and all other tender offer materials may be directed to the Information Agent or the Dealer Managers, as set forth below, and copies will be furnished promptly at the Purchaser's expense.

The Information Agent for the Offer is:

GEORGESON & COMPANY INC.
Wall Street Plaza
New York, NY 10005
Call Collect: (212) 509-6240
Banks and Brokers Call Collect (212) 440-9800

Call Toll Free: 1-800-223-2064

The Dealer Managers for the Offer are:

BEAR, STEARNS & CO. INC.
245 Park Avenue
New York, NY 10167
(800) 791-2327

BT SECURITIES CORPORATION
130 Liberty Street
New York, NY 10006
(212) 250-8719 (Call Collect)

Exhibit(a)(3)

NOTICE OF GUARANTEED DELIVERY

FOR

TENDER OF SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED JUNIOR PARTICIPATING PREFERRED STOCK PURCHASE RIGHTS)

OF

CAESARS WORLD, INC.

TO

ITT FLORIDA ENTERPRISES, INC.
A WHOLLY OWNED SUBSIDIARY OF

ITT CORPORATION

(NOT TO BE USED FOR SIGNATURE GUARANTEES)

This Notice of Guaranteed Delivery or one substantially in the form hereof must be used to accept the Offer (as defined below) if (i) certificates ("Share Certificates") representing shares of Common Stock, par value $0.10 per share (the "Shares"), of Caesars World, Inc., a Florida corporation (the "Company"), are not immediately available, (ii) time will not permit all required documents to reach Bankers Trust Company, as Depositary (the "Depositary"), prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase (as defined below)) or (iii) the procedure for delivery by book-entry transfer cannot be completed on a timely basis. This Notice of Guaranteed Delivery may be delivered by hand or mail or transmitted by telegram or facsimile transmission to the Depositary. See Section 2 of the Offer to Purchase.

The Depositary for the Offer is:

BANKERS TRUST COMPANY

By Mail:	By Hand/Overnight Delivery:
Bankers Trust Company Corporate Trust & Agency Group Reorganization Dept. P.O. Box 1458 Church Street Station New York, NY 10008-1458	Bankers Trust Company Corporate Trust & Agency Group Receipt & Delivery Window 123 Washington Street, 1st Floor New York, NY 10006

By Facsimile Transmission:
(212) 250-6275/3290
(For Eligible Institutions only)

Confirm by Telephone:
(212) 250-6270

THIS FORM IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN "ELIGIBLE INSTITUTION" UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE LETTER OF TRANSMITTAL.

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE TRANSMISSION OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

Ladies and Gentlemen:

The undersigned hereby tenders to ITT Florida Enterprises, Inc., a Florida corporation (the "Purchaser") and a wholly owned subsidiary of ITT Corporation, a Delaware corporation ("Parent"), upon the terms and subject to the conditions set forth in the Purchaser's Offer to Purchase dated December 23, 1994 (the "Offer to Purchase"), and in the related Letter of Transmittal (which together constitute the "Offer"), receipt of which is hereby acknowledged, Shares pursuant to the guaranteed delivery procedures set forth in Section 2 of the Offer to Purchase.

Number of Shares:_____

Certificate Nos. (if available):_____

_____

(Check one box if Shares will be tendered by book-entry transfer)

[_] The Depository Trust Company

[_] Midwest Securities Trust Company

[_] _____

Account Number:_____

Dated:_____

Name(s) of Record Holder(s):

_____

_____

(Please Print)

Address(es):_____

_____

(Zip Code)

Area Code and Tel. No.:_____

Signature(s):_____

_____

GUARANTEE

(Not to be Used for Signature Guarantee)

The undersigned, a participant in the Security Transfer Agent's Medallion Program or the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program hereby (a) represents that the tender of Shares effected hereby complies with Rule 14e-4 under the Securities Exchange Act of 1934, as amended, and (b) guarantees to deliver to the Depositary either the certificates representing the Shares tendered hereby, in proper form for transfer, or a Book-Entry Confirmation (as defined in Section 2 of the Offer to Purchase) of a transfer of such Shares, in any such case together with a properly completed and duly executed Letter of Transmittal, or a manually signed facsimile thereof, with any required signature guarantees, or an Agent's Message (as defined in the Offer to Purchase) and any other documents required by the Letter of Transmittal within five trading days on the New York Stock Exchange after the date hereof.

The Eligible Institution that completes this form must communicate the guarantee to the Depositary and must deliver the Letter of Transmittal and certificates for Shares to the Depositary within the time period shown herein. Failure to do so could result in a financial loss to such Eligible Institution.

Name of Firm:_____

Address:_____

_____

(Zip Code)

Area Code and Tel. No.:_____

_____

Authorized Signature

Title:_____

Dated:_____

NOTE: DO NOT SEND CERTIFICATES FOR SHARES WITH THIS NOTICE, SHARE CERTIFICATES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.

Exhibit(a)(4)

Bear, Stearns & Co. Inc.
245 Park Avenue
New York, NY 10167
(800) 791-2327

BT Securities
Corporation
130 Liberty Street
New York, NY 10005
(212) 250-8719

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED JUNIOR PARTICIPATING PREFERRED STOCK PURCHASE RIGHTS)

OF

CAESARS WORLD, INC.

AT

$67.50 NET PER SHARE

BY

ITT FLORIDA ENTERPRISES, INC.
A WHOLLY OWNED SUBSIDIARY OF

ITT CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON TUESDAY, JANUARY 24, 1995,
UNLESS THE OFFER IS EXTENDED.

December 23, 1994

To Brokers, Dealers, Commercial
Banks, Trust Companies and Other
Nominees:

We have been engaged by ITT Florida Enterprises, Inc., a Florida corporation (the "Purchaser") and a wholly owned subsidiary of ITT Corporation, a Delaware corporation ("Parent"), to act as Dealer Managers in connection with the Purchaser's offer to purchase all outstanding shares of Common Stock (the "Common Stock"), par value $0.10 per share, of Caesars World, Inc., a Florida corporation (the "Company"), together with the associated junior participating preferred stock purchase rights (the "Rights") issued pursuant to the Rights Agreement dated as of January 10, 1989, as amended (the "Rights Agreement"), between the Company and First Chicago Trust Company of New York, as Rights Agent (the Common Stock, together with the Rights, being herein referred to as the "Shares"), at $67.50 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Purchaser's Offer to Purchase dated December 23, 1994 (the "Offer to Purchase"), and the related Letter of Transmittal (which, together with any supplements or amendments thereto, collectively constitute the "Offer") enclosed herewith.

THE OFFER IS CONDITIONED UPON (I) THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER THAT NUMBER OF SHARES WHICH WOULD REPRESENT AT LEAST A MAJORITY OF ALL THEN OUTSTANDING SHARES ON A FULLY DILUTED BASIS, (II) THE GAMING CONDITION (AS DEFINED IN THE OFFER TO PURCHASE), (III) THE EXPIRATION OR TERMINATION OF ALL WAITING PERIODS IMPOSED BY THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976, AS AMENDED, AND THE REGULATIONS THEREUNDER AND (IV) THE OTHER CONDITIONS DESCRIBED IN THE OFFER TO PURCHASE.

For your information and for forwarding to your clients for whom you hold Shares registered in your name or in the name of your nominee, or who hold Shares registered in their own names, we are enclosing the following documents:

1. Offer to Purchase;

2. Letter of Transmittal to be used by holders of Shares in accepting the Offer and tendering Shares;

3. The Letter to Stockholders of the Company from both the Chairman and Chief Executive Officer and the President and Chief Operating Officer of the Company accompanied by the Company's Solicitation/Recommendation Statement on Schedule 14D-9;

4. A letter that may be sent to your clients for whose account you hold Shares registered in your name or in the name of your nominees, with space provided for obtaining such clients' instructions with regard to the Offer;

5. Notice of Guaranteed Delivery to be used to accept the Offer if certificates for Shares are not immediately available or time will not permit all required documents to reach the Depositary by the Expiration Date (as defined in the Offer to Purchase) or if the procedure for book-entry transfer cannot be completed on a timely basis;

6. Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9; and

7. Return envelope addressed to the Depositary.

The Board of Directors of the Company has unanimously approved the Merger Agreement and the transactions contemplated thereby and unanimously recommends that all shareholders of the Company accept the Offer and tender their Shares.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the Purchaser will accept for payment and pay for all outstanding Shares validly tendered prior to the Expiration Date and not theretofore properly withdrawn. Payment for Shares purchased pursuant to the Offer will in all cases be made only after timely receipt by the Depositary of certificates for such Shares, or timely confirmation of a book-entry transfer of such Shares into the Depositary's account at The Depository Trust Company or the Midwest Securities Trust Company pursuant to the procedures described in Section 2 of the Offer to Purchase, a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) or an Agent's Message in connection with a book-entry transfer, and all other documents required by the Letter of Transmittal.

The Purchaser will not pay any fees or commissions to any broker or dealer or other person (other than the Dealer Managers) in connection with the solicitation of tenders of Shares pursuant to the Offer. The Purchaser will, however, upon request, reimburse you for customary mailing and handling expenses incurred by you in forwarding the enclosed materials to your clients.

The Purchaser will pay or cause to be paid any transfer taxes payable on the transfer of Shares to it, except as otherwise provided in Instruction 6 of the enclosed Letter of Transmittal.

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, JANUARY 24, 1995, UNLESS THE OFFER IS EXTENDED.

In order to take advantage of the Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof), with any required signature guarantees, or an Agent's Message (as defined in the Offer to Purchase) in connection with a book-entry delivery of Shares, and any other required documents, should

be sent to the Depositary, and certificates representing the tendered Shares should be delivered or such Shares should be tendered by book-entry transfer, all in accordance with the Instructions set forth in the Letter of Transmittal and the Offer to Purchase.

If holders of Shares wish to tender, but it is impracticable for them to forward their certificates or other required documents prior to the expiration of the Offer, a tender may be effected by following the guaranteed delivery procedures specified under Section 2, "Procedure for Tendering Shares" in the Offer to Purchase.

Any inquiries you may have with respect to the Offer should be addressed to the Dealer Managers or the Information Agent at their respective addresses and telephone numbers set forth on the back cover page of the Offer to Purchase.

Additional copies of the enclosed materials may be obtained from the undersigned, at Bear, Stearns & Co. Inc., telephone (800) 791-2327 and BT Securities Corporation, telephone (212) 250-8719 (Call Collect) or by calling the Information Agent, Georgeson & Company Inc., at (800) 223-2064.

Very truly yours,

Bear, Stearns & Co. Inc.
BT Securities Corporation

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE PURCHASER, PARENT, THE DEPOSITARY, THE INFORMATION AGENT OR THE DEALER MANAGERS, OR ANY AFFILIATE OF ANY OF THE FOREGOING, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED AND THE STATEMENTS CONTAINED THEREIN.

EXHIBIT (a) (5)

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED JUNIOR PARTICIPATING PREFERRED STOCK PURCHASE RIGHTS)

OF

CAESARS WORLD, INC.

AT

$67.50 NET PER SHARE

BY

ITT FLORIDA ENTERPRISES, INC.
A WHOLLY OWNED SUBSIDIARY OF

ITT CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON TUESDAY, JANUARY 24, 1995,
UNLESS THE OFFER IS EXTENDED.

To Our Clients:

Enclosed for your consideration is an Offer to Purchase dated December 23, 1994 (the "Offer to Purchase") and a related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer") relating to an offer by ITT Florida Enterprises, Inc., a Florida corporation (the "Purchaser") and a wholly owned subsidiary of ITT Corporation, a Delaware corporation ("Parent"), to purchase all outstanding shares of Common Stock (the "Common Stock"), par value $0.10 per share, of Caesars World, Inc., a Florida corporation (the "Company"), together with the associated junior participating preferred stock purchase rights (the "Rights") issued pursuant to the Rights Agreement dated as of January 10, 1989, as amended, between the Company and First Chicago Trust Company of New York, as Rights Agent (the Common Stock, together with the Rights, being herein referred to as the "Shares"), at $67.50 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer. Also enclosed is the Letter to Stockholders of the Company from both the Chairman and Chief Executive Officer and the President and Chief Operating Officer of the Company accompanied by the Company's Solicitation/Recommendation Statement on Schedule 14D-9. We are the holder of record of Shares held by us for your account. A tender of such Shares can be made only by us as the holder of record and pursuant to your instructions. The Letter of Transmittal is furnished to you for your information only and cannot be used to tender Shares held by us for your account.

We request instructions as to whether you wish to tender any or all of such Shares held by us for your account, pursuant to the terms and conditions set forth in the Offer.

Your attention is invited to the following:

1. The tender price is $67.50 per Share, net to the seller in cash.

2. The Board of Directors of the Company has, by unanimous vote of all Directors, approved the Offer, the Merger (as described in the Offer to Purchase) and the other transactions described in the Offer to Purchase and determined that the terms of the Offer, the Merger and such other transactions, taken together, are fair to, and in the best interest of, the shareholders of the Company and recommends that all shareholders of the Company accept the Offer and tender their Shares.

3. The Offer is being made for all outstanding Shares.

4. The Offer is being made pursuant to the Merger Agreement.

5. The Offer is conditioned upon (i) there being validly tendered and not withdrawn prior to the expiration of the Offer at least a majority of the then outstanding Shares on a fully diluted basis, (ii) the Gaming Condition (as defined in the Offer to Purchase), (iii) the expiration or termination of all waiting periods imposed by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations thereunder and (iv) the conditions described in the Offer to Purchase.

6. The Offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Tuesday, January 24, 1995, unless the Offer is extended.

7. Shareholders who tender Shares will not be obligated to pay brokerage commissions, solicitation fees or, except as set forth in Instruction 6 of the Letter of Transmittal, transfer taxes on the purchase of Shares by the Purchaser pursuant to the Offer.

The Purchaser is not aware of any state in which the making of the Offer is prohibited by administrative or judicial action pursuant to any valid state statute. If the Purchaser becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of Shares pursuant thereto, the Purchaser will make a good faith effort to comply with any such state statute. If, after such good faith effort, the Purchaser cannot comply with any such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares in such state. In any jurisdiction in which the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of the Purchaser by the Dealer Managers or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

If you wish to have us tender any or all of your Shares, please complete, sign and return to us the form enclosed herewith. An envelope to return your instructions to us is enclosed. Your instructions to us should be forwarded in ample time to permit us to submit a tender on your behalf prior to the expiration of the Offer. If you authorize the tender of your Shares, all such Shares will be tendered unless otherwise specified on the instruction form enclosed herewith.

INSTRUCTIONS WITH RESPECT TO THE OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK OF CAESARS WORLD, INC.
(AND THE ASSOCIATED JUNIOR PARTICIPATING
PREFERRED STOCK PURCHASE RIGHTS)

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase dated December 23, 1994, and the related Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer") relating to the offer by ITT Florida Enterprises, Inc. (the "Purchaser"), a Florida corporation and a wholly owned subsidiary of ITT Corporation, a Delaware corporation, to purchase shares of Common Stock, par value $0.10 per share (the "Common Stock"), of Caesars World, Inc., a Florida corporation, together with the associated junior participating preferred stock purchase rights (the "Rights") issued pursuant to the Rights Agreement dated as of January 10, 1989, as amended (the "Rights Agreement"), between the Company and First Chicago Trust Company of New York, as Rights Agent (the Common Stock, together with the Rights, being herein referred to as the "Shares").

This will instruct you to tender to the Purchaser the number of Shares indicated below (or if no number is indicated below, all Shares) held by you for the account of the undersigned, on the terms and subject to the conditions set forth in the Offer.

Dated: _____

Number of Shares to be Tendered* _____

_____ _____
(SIGNATURE(S))

_____

_____
(PLEASE PRINT NAME(S))

_____

Address _____

_____
(INCLUDE ZIP CODE)

Area Code and
Telephone No. ( )

Taxpayer Identification
or Social Security No. _____

- --------

* Unless otherwise indicated, it will be assumed that all your Shares are to be tendered.

Exhibit(a)(6)

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER. Social Security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the payer.

FOR THIS TYPE OF ACCOUNT:	GIVE THE SOCIAL SECURITY NUMBER OF--	FOR THIS TYPE OF ACCOUNT:	GIVE THE EMPLOYER IDENTIFICATION NUMBER OF--
1. An individual's account	The individual	8. Sole proprietorship account	The owner(4)
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, any one of the individuals(1)	9. A valid trust, estate or pension trust	The legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)(5)
3. Husband and wife (joint account)	The actual owner of the account or, if joint funds, either person(1)		
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)		
5. Adult and minor (joint account)	The adult, or if the minor is the only contributor, the minor(1)	10. Corporate account	The corporation
		11. Religious, charitable, or educational organization account	The organization
6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person	The ward, minor, or incompetent person(3)	12. Partnership account held in the name of the business	The partnership
		13. Association, club, or other tax-exempt organization	The organization
7. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)	14. A broker or registered nominee	The broker or nominee
b. So-called trust account that is not a legal or valid trust under state law	The actual owner(4)	15. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity

(1) List first and circle the name of the person whose number you furnish.
(2) Circle the minor's name and furnish the minor's social security number.
(3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.
(4) Show the name of the owner.
(5) List first and circle the name of the legal trust, estate, or pension trust.

NOTE: IF NO NAME IS CIRCLED WHEN THERE IS MORE THAN ONE NAME, THE NUMBER WILL BE CONSIDERED TO BE THAT OF THE FIRST NAME LISTED.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

OBTAINING A NUMBER

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

PAYEES EXEMPT FROM BACKUP WITHHOLDING

Payees specifically exempted from backup withholding on ALL payments include the following:

- A corporation.
- A financial institution.
- An organization exempt from tax under section 501(a), or an individual retirement plan.
- The United States or any agency or instrumentality thereof.
- A state, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- An international organization or any agency or instrumentality thereof.
- A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.
- A real estate investment trust.
- A common trust fund operated by a bank under section 584(a).
- An exempt charitable remainder trust, or a nonexempt trust described in section 4947(a)(1).
- An entity registered at all times under the Investment Company Act of 1940.
- A foreign central bank of issue.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under section 1441.
- Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- Payments of patronage dividends where the amount received is not paid in money.
- Payments made by certain foreign organizations.

Payments of interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- Payments described in section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations.
- Payments made to a nominee.

EXEMPT PAYEES DESCRIBED ABOVE MUST STILL COMPLETE THE SUBSTITUTE FORM W-9 TO AVOID POSSIBLE ERRONEOUS BACKUP WITHHOLDING. FILE SUBSTITUTE FORM W-9 WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER. IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.

Certain payments other than interest, dividends, and patronage dividends, that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A(a), 6045 and 6050A.

PRIVACY ACT NOTICE. Section 6109 requires most recipients of dividends, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to IRS. IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 31% of taxable interest, dividends, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

PENALTIES

(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER. If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING. If you

make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(3) CRIMINAL PENALTY FOR FALSIFYING INFORMATION. Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

(4) FAILURE TO REPORT CERTAIN DIVIDEND AND INTEREST PAYMENTS. If you fail to include any portion of an includible payment for interest, dividends or patronage dividends in gross income and such failure is due to negligence, a penalty of 20% is imposed on any portion of any underpayment attributable to the failure.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares. The Offer is made solely by the Offer to Purchase dated December 23, 1994 and the related Letter of Transmittal and is being made to all holders of Shares. The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of ITT Florida Enterprises, Inc. by Bear, Stearns & Co. Inc., BT Securities Corporation or one or more registered brokers or dealers under the laws of such jurisdiction.

NOTICE OF OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED JUNIOR PARTICIPATING PREFERRED STOCK PURCHASE RIGHTS)

OF

CAESARS WORLD, INC.

AT

$67.50 NET PER SHARE

BY

ITT FLORIDA ENTERPRISES, INC.
A WHOLLY OWNED SUBSIDIARY OF

ITT CORPORATION

ITT Florida Enterprises, Inc., a Florida corporation (the "Purchaser") and a wholly owned subsidiary of ITT Corporation, a Delaware corporation ("Parent"), is offering to purchase all outstanding shares of Common Stock, par value $0.10 per share (the "Common Stock"), of Caesars World, Inc., a Florida corporation (the "Company"), together with the Rights (as defined in the Offer to Purchase dated December 23, 1994 (the "Offer to Purchase")) (the Common Stock, together with the Rights, the "Shares") at $67.50 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer").

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, JANUARY 24, 1995, UNLESS EXTENDED.

THE OFFER IS CONDITIONED UPON (I) THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER THAT NUMBER OF SHARES WHICH WOULD REPRESENT AT LEAST A MAJORITY OF ALL OUTSTANDING SHARES ON A FULLY DILUTED BASIS (THE "MINIMUM CONDITION"), (II) THE GAMING CONDITION (AS DEFINED IN THE OFFER TO PURCHASE), (III) THE EXPIRATION OR TERMINATION OF ALL WAITING PERIODS IMPOSED BY THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976, AS AMENDED, AND THE REGULATIONS THEREUNDER AND (IV) THE OTHER CONDITIONS DESCRIBED IN THE OFFER TO PURCHASE.

The Offer is being made pursuant to an Agreement and Plan of Merger dated as of December 19, 1994 (the "Merger Agreement"), among Parent, the Purchaser and the Company pursuant to which, following the consummation of the Offer, the Purchaser will be merged with and into the Company (the "Merger"). On the effective date of the Merger, each outstanding Share will be converted into the right to receive $67.50 in cash, without interest.

THE BOARD OF DIRECTORS OF THE COMPANY HAS BY UNANIMOUS VOTE OF ALL DIRECTORS APPROVED THE OFFER AND THE MERGER AND DETERMINED THAT THE TERMS OF THE OFFER AND THE MERGER ARE FAIR TO, AND IN THE BEST INTERESTS OF, THE SHAREHOLDERS OF THE COMPANY, AND RECOMMENDS THAT SHAREHOLDERS OF THE COMPANY ACCEPT THE OFFER AND TENDER THEIR SHARES.

For purposes of the Offer, the Purchaser shall be deemed to have accepted for payment, and thereby purchased, Shares properly tendered to the Purchaser and not withdrawn as, if and when the Purchaser gives oral or written notice to Bankers Trust Company, as Depositary (the "Depositary"), of the Purchaser's acceptance for payment of such Shares. Upon the terms and subject to the conditions of the Offer, payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the purchase price therefor with the Depositary, which will act as agent for tendering shareholders for the purpose of receiving payment from the Purchaser and transmitting payment to tendering shareholders. In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (a) certificates for such Shares or timely confirmation of book-entry transfer of such Shares into the Depositary's account at a Book-Entry Transfer Facility (as defined in the Offer to Purchase) as described in Section 2 of the Offer to Purchase, (b) a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message (as defined in the Offer to Purchase) and (c) any other documents required by the Letter of Transmittal. UNDER NO CIRCUMSTANCES WILL INTEREST BE PAID BY THE PURCHASER ON THE PURCHASE PRICE OF THE SHARES, REGARDLESS OF ANY EXTENSION OF THE OFFER OR DELAY IN MAKING SUCH PAYMENT.

The term "Expiration Date" means 12:00 Midnight, New York City time, on Tuesday, January 24, 1995, unless and until the Purchaser, in its sole discretion (but subject to the terms of the Merger Agreement), shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date on which the Offer, as so extended by the Purchaser, shall expire. Subject to the terms of the Merger Agreement and the applicable rules and regulations of the Securities and Exchange Commission, the Purchaser expressly reserves the right, in its sole discretion, at any time or from time to time, and regardless of whether or not any of the events set forth in Section 14 of the Offer to Purchase shall have occurred, to extend the period of time during which the Offer is open, and thereby delay acceptance for payment of, and the payment for, any Shares, by giving oral or written notice of such extension to the Depositary. There can be no assurance that the Purchaser will exercise its right to extend the Offer. Any such extension will be followed by a public announcement thereof no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the right of a tendering shareholder to withdraw such shareholder's Shares as provided in the Offer.

Except as otherwise provided below, tenders of Shares are irrevocable. Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date or, if the Purchaser shall have extended the period of time during which the Offer is open, the latest time and date at which the Offer, as so extended by the Purchaser, shall expire and, unless theretofore accepted for payment and paid for pursuant to the Offer, may also be withdrawn at any time after February 20, 1995. For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of the Offer to Purchase and must specify the name of the person having tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of the Shares to be withdrawn, if different from the name of the person who tendered the Shares. If certificates for Shares have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such certificates, the serial numbers shown on such certificates must be submitted to the Depositary and, unless such Shares have been tendered by an Eligible Institution (as defined in Section 2 of the Offer to Purchase), the signatures on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been delivered pursuant to the procedures for book-entry transfer as set forth in Section 2 of the Offer to Purchase, any notice of withdrawal must also specify the name and number of the account at the appropriate Book-Entry Transfer Facility to be credited with the withdrawn Shares and

otherwise comply with such Book-Entry Transfer Facility's procedures. Withdrawals of tenders of Shares may not be rescinded, and any Shares properly withdrawn will thereafter be deemed not validly tendered for any purposes of the Offer. However, withdrawn Shares may be retendered by again following one of the procedures described in Section 2 of the Offer to Purchase at any time prior to the Expiration Date. All questions as to the form and validity (including time of receipt) of notice of withdrawal will be determined by the Purchaser, in its sole discretion, whose determination will be final and binding.

The Offer to Purchase and the related Letter of Transmittal and other relevant materials will be mailed to record holders of Shares and furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the shareholder lists or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

The information required to be disclosed by Rule 14d-6(e)(1)(vii) under the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference.

THE OFFER TO PURCHASE AND THE LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION THAT SHOULD BE READ BEFORE MAKING ANY DECISION WITH RESPECT TO THE OFFER.

Requests for copies of the Offer to Purchase, the Letter of Transmittal and all other tender offer materials may be directed to the Information Agent or the Dealer Managers as set forth below, and copies will be furnished promptly at the Purchaser's expense.

The Information Agent for the Offer is:

GEORGESON & COMPANY INC.
Wall Street Plaza
New York, New York 10005
(212) 509-6240 (collect)
Banks and Brokers call collect (212) 440-9800
CALL TOLL-FREE: 1-800-223-2064

The Dealer Managers for the Offer are:

BEAR, STEARNS & CO. INC.
245 Park Avenue
New York, New York 10167
(800) 791-2327

BT SECURITIES CORPORATION
130 Liberty Street
New York, NY 10006
(212) 250-8719 (Call Collect)

December 23, 1994

Exhibit (a)(8)

CONTACTS: For ITT Corporation
Jim Gallagher
(212) 258-1261

For Caesars World
Jack Leene
(310) 552-2711 Ext. 363

FOR IMMEDIATE RELEASE
December 19, 1994

ITT WILL ACQUIRE CAESARS WORLD, INC.

NEW YORK, NY -- ITT Corporation (NYSE/ITT) and Caesars World, Inc. (NYSE/CAW) jointly announced today the signing of a definitive agreement providing for ITT to acquire Caesars World at $67.50 per share, or approximately $1.7 billion.

The first step of the acquisition is a cash tender for all outstanding shares which will commence by Friday, December 23, 1994. Although the offer is subject to certain regulatory approvals and other customary conditions, it is expected to be completed during the first quarter in 1995. ITT will acquire all Caesars' shares not purchased in the offer in a subsequent cash merger at the same $67.50 per share price. Caesars World currently has approximately 25.1 million common shares outstanding.

The acquisition of Caesars World, Inc., one of the world's most recognized names in gaming, combined with ITT Sheraton's leading international position will create one of the world's strongest hotel and gaming businesses.

-more-

Caesars World owns and operates three hotel/casinos in Las Vegas, Atlantic City and Lake Tahoe. In conjunction with two other partners, Caesars World manages a casino owned by the Ontario government in Windsor, Canada, across the river from Detroit, Michigan.

"Caesars World represents a tremendous opportunity for ITT," Rand V. Araskog, chairman, president and chief executive, said. "Caesars is one of the great names in the gaming industry," Mr. Araskog continued. "The acquisition helps ITT create one of the premier hospitality, gaming and entertainment companies in the world, and adds positive financial and business impact to the recent agreement to acquire Madison Square Garden properties and the acquisition of 70.2 percent of the CIGA Hotel Corporation, with its 31 major luxury hotels throughout Europe," the chairman said.

In addition to the world-renowned Caesars Palace in Las Vegas, this acquisition provides an entry into the other most important U.S. gaming destination -- Atlantic City. The combination of Caesars World's and ITT's strong international business and marketing structures will provide the emerging company with additional competitive strength.

-more-

The transaction is expected to be non-dilutive and to contribute to earnings in the first year. Moreover, ITT expects to take advantage of substantial synergies in the near term. With the acquisition of Caesars World, ITT no longer plans to construct The Desert Kingdom in Las Vegas.

Henry Gluck, chairman and chief executive officer of Caesars World, will retain his current titles, report directly to Mr. Araskog and become a member of the ITT Board. "Henry Gluck is a major presence in the gaming industry and one of the most innovative and long standing leaders in gaming and entertainment. I am personally looking forward to working with him on this great opportunity for both our companies," Mr. Araskog said.

Following ITT's decision not to build the Desert Kingdom, which would have cost $750 million to $1 billion, Mr. Araskog called Mr. Gluck in mid-October to arrange a meeting at which time he proposed ITT's acquisition of Caesars World. Since that time the two executives have had several discussions leading to today's announcement.

Mr. Gluck said, "For quite some time now Mr.Araskog and I have discussed the potential synergies of our respective companies. I anticipate a close working relationship between management and employees of both companies directed at maximizing the value of our great franchise and providing expanded opportunities to the many loyal people who have helped build Caesars World."

Combined with the pending sale of ITT Financial Corporation, this acquisition continues ITT's focus on three global companies, each leaders in its respective industries -- ITT Hartford Insurance, with sales in excess of $10 billion; ITT Industries, with manufacturing sales of about $8 billion; and, the hotel gaming and entertainment group, anchored by ITT Sheraton. With the addition of Caesars World and Madison Square Garden, this group will have sales of over $6 billion.

The Caesars World properties, all involved in the transaction, include:

- Caesars Palace, a 1,500-room casino resort located on an 80-acre site on the Las Vegas Strip. Opened in 1966, the resort has undergone extensive expansion and renovations through the years and currently has 118,000 square feet of casino space with 2,000 slot machines, some 125 table games, 10 restaurants, a 1,100-seat showroom, 100,000 square feet of convention space, a 18,000-seat outdoor stadium and an "Omnimax" theater. Caesars Palace is currently in the process of developing a themed dining and entertainment complex, "Caesars Magical Empire," scheduled for completion in 1995.

-more-

- Caesars Tahoe, a 440-room resort, is situated on 24 acres on the South Shore of the world renowned Lake Tahoe in northern Nevada. Opened in 1990, the resort has a 40,000-square-foot casino with about 960 slots and 75 table games, six restaurants, a 1,550-seat showroom, a Roman themed nightclub, and 25,000 square feet of convention space. In recent years, all of the property's rooms have been renovated and the casino space has been remodeled to better reflect the company's Roman theme.

- Caesars Atlantic City, opened in 1979, is located on a premier site on the boardwalk in Atlantic City, New Jersey. The 641-room facility includes 74,000 square feet of casino space with more than 2,000 slot machines and about 125 table games, 12 restaurants and bars, a 1,100-seat showroom and a transportation center for 2,500 cars. Since 1989 Caesars has invested more than $150 million in capital expenditures at the Atlantic City property.

-more-

- Casino Windsor, an interim casino in Windsor, Ontario, opened in May 1994. The facility is managed by a joint-venture between Caesars World, Circus Circus Enterprises and Hilton Hotels Corporation and is owned by the Government of Ontario. It includes 50,000 square feet of casino space with 1,700 slot machines and 65 table games. A permanent casino is scheduled to be completed in 1997 and will be located on 13 acres in Windsor's central business district, immediately across the river from Detroit, Michigan. It will include a 75,000-square-foot casino, 2,400 slots, 125 table games, a 1,000-seat showroom, three dining areas, an entertainment component and a 300-room hotel.

- Caesars World operates Caesars Palace at Sea, a casino aboard the Crystal Harmony, a luxury cruise ship owned by Crystal Cruises. Plans call for Caesars to operate another Caesars Palace at Sea casino on board a sister ship -- the Crystal Symphony -- scheduled to launch operations in 1998.

-more-

- Caesars World also has four non-gaming resorts in the Pocono Mountains of Pennsylvania. These include Caesars Cove Haven, Caesars Pocono Palace, Caesars Paradise Stream and Caesars Brookdale. Combined, they feature more than 750 rooms and suites and a full complement of recreational and other destination resort amenities.

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Exhibit (a)(9)

[LETTERHEAD OF ITT CORPORATION APPEARS HERE]

DATE: December 23, 1994
CONTACT: Jim Gallagher
TELEPHONE: 212-258-1261

FOR IMMEDIATE RELEASE

ITT COMMENCES TENDER OFFER FOR CAESARS WORLD, INC.

NEW YORK, NY, December 23, 1994 -- ITT Corporation announced that it commenced today its previously announced tender offer at $67.50 per share for all the outstanding shares of Caesars World, Inc. The offer is scheduled to expire in 20 business days, on Tuesday, January 24, 1995, unless extended. The offer is conditioned upon certain regulatory approvals and other customary conditions, but is not subject to obtaining financing.

While the company expects to receive these approvals in January, 1995, there can be no assurance that such approvals will be received or received within such time.

- ITT -

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EXHIBIT (c)(1)

CONFORMED COPY

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AGREEMENT AND PLAN OF MERGER

Dated as of December 19, 1994

Among

ITT CORPORATION,

ITT FLORIDA ENTERPRISES INC.

And

CAESARS WORLD, INC.

==========

TABLE OF CONTENTS

EXHIBIT (C)(1)

AGREEMENT AND PLAN OF MERGER dated as of December 19, 1994, among ITT CORPORATION, a Delaware corporation ("Parent"), ITT FLORIDA ENTERPRISES INC., a Florida corporation ("Sub") and a wholly owned subsidiary of Parent, and CAESARS WORLD, INC., a Florida corporation (the "Company").

WHEREAS the respective Boards of Directors of Parent, Sub and the Company have approved the acquisition of the Company by Parent on the terms and subject to the conditions set forth in this Agreement;

WHEREAS in furtherance of such acquisition, Parent will cause Sub to make a tender offer (as it may be amended from time to time as permitted under this Agreement, the "Offer") to purchase all the issued and outstanding shares of Common Stock, par value $.10 per share, of the Company (together with any associated Rights (as hereinafter defined), the "Company Common Stock"), at a price per share of Company Common Stock of $67.50 net to the seller in cash (such price, the "Offer Price"), upon the terms and subject to the conditions set forth in this Agreement; and the Board of Directors of the Company has approved the Offer and is recommending that the Company's stockholders accept the Offer;

WHEREAS the respective Boards of Directors of Parent, Sub and the Company have approved the Offer and the Merger of Sub into the Company, as set forth below (the "Merger"), upon the terms and subject to the conditions set forth in this Agreement, whereby each issued and outstanding share of Company Common Stock, other than shares owned directly or indirectly by Parent or the Company and Dissenting Shares (as defined in Section 3.01(d)), will be converted into the right to receive the price per share paid in the Offer;

WHEREAS Parent and Sub are unwilling to enter into this Agreement unless the Company, contemporaneously with the execution and delivery of this Agreement, enters into an Option Agreement (the "Option Agreement") among Parent, Sub and the Company providing for, among other things, the grant by the Company to Parent of the option under certain circumstances to purchase up to 5,000,000 newly issued shares of Company Common Stock, plus all shares of Company Common Stock held in treasury; and the Board of Directors of

the Company has approved the execution and delivery of the Option Agreement which is being executed contemporaneously with the execution hereof; and

WHEREAS Parent, Sub and the Company desire to make certain representations, warranties, covenants and agreements in connection with the Offer and the Merger and also to prescribe various conditions to the Offer and the Merger.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, the parties agree as follows:

ARTICLE I

THE OFFER

SECTION 1.01. The Offer. (a) Subject to the provisions of this Agreement, as promptly as practicable, but in no event later than five business days after the public announcement of the Offer, Sub shall, and Parent shall cause Sub to, commence the Offer. The obligation of Sub to, and of Parent to cause Sub to, commence the Offer and accept for payment, and pay for, any shares of Company Common Stock tendered pursuant to the Offer shall be subject to the conditions set forth in Exhibit A (any of which may be waived in whole or in part by Sub in its sole discretion) and to the terms and conditions of this Agreement; provided, however, that Sub shall not, without the Company's consent, waive the Minimum Condition (as defined in Exhibit A). Sub expressly reserves the right to modify the terms of the Offer, except that, without the consent of the Company, Sub shall not (i) reduce the number of shares of Company Common Stock to be purchased in the Offer, (ii) reduce the Offer Price, (iii) modify or add to the conditions set forth in Exhibit A, (iv) except as provided in the next sentence, extend the Offer, (v) change the form of consideration payable in the Offer or (vi) amend any other term of the Offer in a manner adverse to the holders of Company Common Stock. Notwithstanding the foregoing, Sub may, without the consent of the Company, (i) extend the Offer beyond any scheduled expiration date (the initial scheduled expiration date being 20 business days following commencement of the Offer) for a period not to exceed 20 business days, if at any scheduled expiration date of the Offer, any of the conditions to Sub's obligation to accept for payment, and pay for, shares of

Company Common Stock shall not be satisfied or waived, until such time as such conditions are satisfied or waived, (ii) extend the Offer for any period required by any rule, regulation, interpretation or position of the Securities and Exchange Commission (the "SEC") or the staff thereof applicable to the Offer and (iii) extend the Offer for an aggregate period of not more than 15 business days beyond the latest expiration date that would otherwise be permitted under clause (i) or (ii) of this sentence if there shall not have been tendered sufficient shares of Company Common Stock so that the Merger could be effected as provided in the last sentence of Section 6.01(a). Subject to the terms and conditions of the Offer and this Agreement, Sub shall, and Parent shall cause Sub to, accept for payment, and pay for, all shares of Company Common Stock validly tendered and not withdrawn pursuant to the Offer that Sub becomes obligated to accept for payment, and pay for, pursuant to the Offer as soon as practicable after expiration of the Offer.

(b) On the date of commencement of the Offer, Parent and Sub shall file with the SEC a Tender Offer Statement on Schedule 14D-1 with respect to the Offer, which shall contain an offer to purchase and a related letter of transmittal and summary advertisement (such Schedule 14D-1 and the documents included therein pursuant to which the Offer will be made, together with any supplements or amendments thereto, the "Offer Documents"). Parent and Sub agree that the Offer Documents shall comply as to form in all material respects with the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations promulgated thereunder and, on the date first published, sent or given to the Company's stockholders, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation is made by Parent or Sub with respect to information supplied by the Company for inclusion or incorporation by reference in the Offer Documents. Each of Parent, Sub and the Company agrees promptly to correct any information provided by it for use in the Offer Documents if and to the extent that such information shall have become false or misleading in any material respect, and each of Parent and Sub further agrees to take all steps necessary to amend or supplement the Offer Documents and to cause the Offer Documents as so amended or supplemented to be filed with the SEC and to be disseminated to the Company's stockholders, in each case as and to the

extent required by applicable Federal securities laws. The Company and its counsel shall be given a reasonable opportunity to review and comment upon the Offer Documents and all amendments and supplements thereto prior to their filing with the SEC or dissemination to stockholders of the Company. Parent and Sub agree to provide the Company and its counsel any comments Parent, Sub or their counsel may receive from the SEC or its staff with respect to the Offer Documents promptly after the receipt of such comments and shall provide the Company and its counsel an opportunity to participate, including by way of discussion with the SEC or its staff, in the response of Parent and/or Sub to such comments.

(c) Parent shall provide or cause to be provided to Sub on a timely basis the funds necessary to accept for payment, and pay for, any shares of Company Common Stock that Sub accepts for payment, and becomes obligated to pay for, pursuant to the Offer.

SECTION 1.02. Company Actions. (a) The Company hereby approves of and consents to the Offer and represents that the Board of Directors of the Company, at a meeting duly called and held, duly and unanimously by vote of all directors adopted resolutions approving this Agreement, the Offer, the Merger and the Option Agreement, determining that the terms of the Offer and the Merger are fair to, and in the best interests of, the Company's stockholders and recommending that the Company's stockholders approve and adopt this Agreement, and accept the Offer and tender their shares pursuant to the Offer. The Company has been advised by each of its directors and by each executive officer who as of the date hereof is aware of the transactions contemplated hereby, that each such person either intends to tender pursuant to the Offer all shares of Company Common Stock owned by such person or vote all shares of Company Common Stock owned by such person in favor of the Merger, provided that any director or executive officer shall be permitted to sell shares of Company Common Stock in compliance with applicable law.

(b) Not later than the date the Offer Documents are filed with the SEC or as shortly thereafter as is practicable, the Company shall file with the SEC a Solicitation/ Recommendation Statement on Schedule 14D-9 with respect to the Offer (such Schedule 14D-9, as amended from time to time, the "Schedule 14D-9") containing the recommendation described in Section 1.02(a) and shall mail the

Schedule 14D-9 to the stockholders of the Company. The Schedule 14D-9 shall comply as to form in all material respects with the Exchange Act and the rules and regulations promulgated thereunder and, on the date filed with the SEC and on the date first published, sent or given to the Company's stockholders, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation is made by the Company with respect to information supplied by Parent or Sub for inclusion or incorporation by reference in the Schedule 14D-9. Each of the Company, Parent and Sub agrees promptly to correct any information provided by it for use in the Schedule 14D-9 if and to the extent that such information shall have become false or misleading in any material respect, and the Company further agrees to take all steps necessary to amend or supplement the Schedule 14D-9 and to cause the Schedule 14D-9 as so amended or supplemented to be filed with the SEC and disseminated to the Company's stockholders, in each case as and to the extent required by applicable Federal securities laws. Parent and its counsel shall be given a reasonable opportunity to review and comment upon the Schedule 14D-9 and all amendments and supplements thereto prior to their filing with the SEC or dissemination to stockholders of the Company. The Company agrees to provide Parent and its counsel with any comments the Company or its counsel may receive from the SEC or its staff with respect to the Schedule 14D-9 promptly after the receipt of such comments and shall provide Parent and its counsel an opportunity to participate, including by way of discussions with the SEC or its staff, in the response of the Company to such comments.

(c) In connection with the Offer, the Company shall cause its transfer agent to furnish Sub promptly with mailing labels containing the names and addresses of the record holders of Company Common Stock as of a recent date and of those persons becoming record holders subsequent to such date, together with copies of all lists of stockholders, security position listings and computer files and all other information in the Company's possession or control regarding the beneficial owners of Company Common Stock, and shall furnish to Sub such information and assistance (including updated lists of stockholders, security position listings and computer files) as Parent may reasonably request in communicating the Offer to the Company's stock-

holders. Subject to the requirements of applicable law, and except for such steps as are necessary to disseminate the Offer Documents and any other documents necessary to consummate the Merger, Parent and Sub and their agents shall hold in confidence the information contained in any such labels, listings and files, will use such information only in connection with the Offer and the Merger and, if this Agreement shall be terminated, will, upon request, deliver, and will use their best efforts to cause their agents to deliver, to the Company all copies of such information then in their possession or control.

ARTICLE II

THE MERGER

SECTION 2.01. The Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the Florida Business Corporation Act (the "FBCA"), Sub shall be merged with and into the Company at the Effective Time (as hereinafter defined). Following the Merger, the separate corporate existence of Sub shall cease and the Company shall continue as the surviving corporation (the "Surviving Corporation") and shall succeed to and assume all the rights and obligations of the Company in accordance with the FBCA. At the election of Parent, any direct or indirect wholly owned subsidiary (as defined in Section 9.03) of Parent may be substituted for Sub as a constituent corporation in the Merger. In such event, the parties agree to execute an appropriate amendment to this Agreement in order to reflect the foregoing.

SECTION 2.02. Closing. The closing of the Merger will take place at 10:00 a.m. on a date to be specified by the Parent or Sub, which may be on, but shall be no later than the third business day after, the day on which there shall have been satisfaction or waiver of the conditions set forth in Article VII (the "Closing Date"), at the offices of Cravath, Swaine & Moore, Worldwide Plaza, 825 Eighth Avenue, New York, N.Y. 10019, unless another date or place is agreed to in writing by the parties hereto.

SECTION 2.03. Effective Time. On the Closing Date, or as soon as practicable thereafter, the parties shall file articles of merger or other appropriate documents (in any such case, the "Articles of Merger") executed in accordance with the relevant provisions of the FBCA and

shall make all other filings or recordings required under the FBCA. The Merger shall become effective at such time as the Articles of Merger are duly filed with the Florida Department of State, or at such other later time as Sub and the Company shall agree and specify in the Articles of Merger (the time the Merger becomes effective being the "Effective Time").

SECTION 2.04. Effects of the Merger. The Merger shall have the effects set forth in Section 607.1106 of the FBCA.

SECTION 2.05. Articles of Incorporation and By-laws. (a) The Articles of Incorporation of the Company, as in effect immediately prior to the Effective Time of the Merger, shall become the Articles of Incorporation of the Surviving Corporation after the Effective Time, and thereafter may be amended in accordance with its terms and as provided by law and this Agreement.

(b) The By-laws of the Company as in effect on the Effective Time shall become the By-laws of the Surviving Corporation.

SECTION 2.06. Directors. The directors of Sub immediately prior to the Effective Time shall become the directors of the Surviving Corporation, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

SECTION 2.07. Officers. The officers of the Company immediately prior to the Effective Time shall become the officers of the Surviving Corporation, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

ARTICLE III

EFFECT OF THE MERGER ON THE CAPITAL STOCK OF THE CONSTITUENT CORPORATIONS; EXCHANGE OF CERTIFICATES

SECTION 3.01. Effect on Capital Stock. As of the Effective Time, by virtue of the Merger and without any

action on the part of the holder of any shares of Company Common Stock or any shares of capital stock of Sub:

(a) Capital Stock of Sub. Each share of the capital stock of Sub issued and outstanding immediately prior to the Effective Time shall be converted into and become one fully paid and nonassessable share of Common Stock, par value $.10 per share, of the Surviving Corporation.

(b) Cancellation of Treasury Stock and Parent Owned Stock. Each share of Company Common Stock that is owned by the Company or by any subsidiary of the Company and each share of Company Common Stock that is owned by Parent, Sub or any other subsidiary of Parent shall automatically be canceled and retired and shall cease to exist, and no consideration shall be delivered in exchange therefor.

(c) Conversion of Common Stock. Subject to Section 3.01(d), each issued and outstanding share of Company Common Stock (other than shares to be canceled in accordance with Section 3.01(b)) shall be converted into the right to receive from the Surviving Corporation in cash, without interest, the price paid for each share of Company Common Stock in the Offer (the "Merger Consideration"). As of the Effective Time, all such shares of Company Common Stock shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each holder of a certificate representing any such shares of Company Common Stock shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration, without interest.

(d) Shares of Dissenting Stockholders. Notwithstanding anything in this Agreement to the contrary, any issued and outstanding shares of Company Common Stock held by a person (a "Dissenting Stockholder") who objects to the Merger and complies with all the provisions of Florida law concerning the right of holders of Company Common Stock to dissent from the Merger and require appraisal of their shares of Company Common Stock ("Dissenting Shares") shall not be converted as described in Section 3.01(c) but shall become the right to receive such consideration as may be determined to be due to such Dissenting Stockholder pursuant to the laws of the State of Florida. If, after the Effective

Time, such Dissenting Stockholder withdraws his demand for appraisal or fails to perfect or otherwise loses his right of appraisal, in any case pursuant to the FBCA, his shares of Company Common Stock shall be deemed to be converted as of the Effective Time into the right to receive the Merger Consideration, without interest. The Company shall give Parent (i) prompt notice of any demands for appraisal of shares of Company Common Stock received by the Company and (ii) the opportunity to participate in and direct all negotiations and proceedings with respect to any such demands. The Company shall not, without the prior written consent of Parent, make any payment with respect to, or settle, offer to settle or otherwise negotiate, any such demands.

SECTION 3.02. Exchange of Certificates. (a) Paying Agent. Prior to the Effective Time, Parent shall designate a bank or trust company to act as paying agent in the Merger (the "Paying Agent"), and, from time to time on, prior to or after the Effective Time, Parent shall make available, or cause the Surviving Corporation to make available, to the Paying Agent immediately available funds in amounts and at the times necessary for the payment of the Merger Consideration upon surrender of certificates representing Company Common Stock as part of the Merger pursuant to Section 3.01, it being understood that any and all interest earned on funds made available to the Paying Agent pursuant to this Agreement shall be turned over to Parent.

(b) Exchange Procedure. As soon as reasonably practicable after the Effective Time, the Paying Agent shall mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding shares of Company Common Stock (the "Certificates") whose shares were converted into the right to receive the Merger Consideration pursuant to Section 3.01, (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Paying Agent and shall be in such form and have such other provisions as Parent may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration. Upon surrender of a Certificate for cancellation to the Paying Agent or to such other agent or agents as may be appointed by the Parent, together with such letter of transmittal, duly executed, and such other docu-

ments as may reasonably be required by the Paying Agent, the holder of such Certificate shall be entitled to receive in exchange therefor the amount of cash into which the shares of Company Common Stock theretofore represented by such Certificate shall have been converted pursuant to Section 3.01, and the Certificate so surrendered shall forthwith be cancelled. In the event of a transfer of ownership of Company Common Stock which is not registered in the transfer records of the Company, payment may be made to a person other than the person in whose name the Certificate so surrendered is registered, if such Certificate shall be properly endorsed or otherwise be in proper form for transfer and the person requesting such payment shall pay any transfer or other taxes required by reason of the payment to a person other than the registered holder of such Certificate or establish to the satisfaction of Parent that such tax has been paid or is not applicable. Until surrendered as contemplated by this Section 3.02, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the amount of cash, without interest, into which the shares of Company Common Stock theretofore represented by such Certificate shall have been converted pursuant to Section 3.01. No interest will be paid or will accrue on the cash payable upon the surrender of any Certificate.

(c) No Further Ownership Rights in Company Common Stock. All cash paid upon the surrender of Certificates in accordance with the terms of this Article III shall be deemed to have been paid in full satisfaction of all rights pertaining to the shares of Company Common Stock theretofore represented by such Certificates, and there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Common Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation or the Paying Agent for any reason, they shall be cancelled and exchanged as provided in this Article III, except as otherwise provided by law.

(d) No Liability. None of Parent, Sub, the Company or the Paying Agent shall be liable to any person in respect of any cash delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Company. The Company represents and warrants to Parent and Sub as follows:

(a) Organization, Standing and Corporate Power. Each of the Company and each of its Significant Subsidiaries is a corporation or partnership duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized and has the requisite corporate or partnership power and authority to carry on its business as now being conducted. Each of the Company and its subsidiaries is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed (individually or in the aggregate) would not have a material adverse effect on the Company. The Company has made available to Parent complete and correct copies of the Amended and Restated Articles of Incorporation and by-laws of the Corporation, in each case as amended to the date of this Agreement, and will make available immediately following the date of this Agreement the certificates of incorporation and by-laws or other organizational documents of its subsidiaries, in each case as amended to the date of this Agreement. The respective certificates of incorporation and by-laws or other organizational documents of the subsidiaries of the Company do not contain any provision limiting or otherwise restricting the ability of the Company to control such subsidiaries. For purposes of this Agreement, a "Significant Subsidiary" means any subsidiary of the Company that (x) constitutes a significant subsidiary within the meaning of Rule 1-02 of Regulation S-X of the SEC or (y) the acquisition of which would require regulatory approval under any Gaming Law.

(b) Subsidiaries. The list of subsidiaries of the Company filed by the Company with its most recent Report on Form 10-K is a true and accurate list of all the subsidiaries of the Company which are required to

be set forth therein. All the outstanding shares of capital stock of each Significant Subsidiary are owned by the Company, by another wholly owned subsidiary of the Company or by the Company and another wholly owned subsidiary of the Company, free and clear of all liens.

(c) Capital Structure. The authorized capital stock of the Company consists of 50,000,000 shares of Company Common Stock and 1,000,000 shares of preferred stock, par value $.10 per share ("Company Preferred Stock"). At the close of business on December 13, 1994, (i) 25,120,963 shares of Company Common Stock and no shares of Company Preferred Stock were issued and outstanding, (ii) 1,354,538 shares of Company Common Stock were held by the Company in its treasury, (iii) 774,926 shares of Company Common Stock were reserved for issuance upon exercise of outstanding Stock Options (as defined in Section 6.04), (iv) 89,341 shares of Company Common Stock were reserved for issuance in respect of contingent shares of Company Common Stock and (v) no shares of Company Common Stock and 250,000 shares of Company Preferred Stock were reserved for issuance in connection with the rights (the "Rights") to purchase shares of Company capital stock issued pursuant to the Rights Agreement dated as of January 10, 1989 (as amended from time to time, the "Rights Agreement"), between the Company and First Chicago Trust Company of New York, as Rights Agent (the "Rights Agent"). Except as set forth above, as of the date of this Agreement, no shares of capital stock or other voting securities of the Company were issued, reserved for issuance or outstanding. There are no outstanding stock appreciation rights which were not granted in tandem with a related Stock Option, restricted stock grant or contingent stock grant and, other than as may be contained in employee benefit plans, employment agreements, merchandising incentive agreements, stock options and similar plans, agreements and instruments, there are no other outstanding contractual rights to which the Company is a party (other than Benefit Plans) the value of which is derived from the financial performance of the Company or the value of shares of Company Common Stock. All outstanding shares of capital stock of the Company are, and all shares which may be issued will be, when issued, duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights. There are no bonds, debentures, notes or other

indebtedness of the Company having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which stockholders of the Company may vote. Except as set forth above, as of the date of this Agreement, there are no outstanding securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which the Company or any of its subsidiaries is a party or by which any of them is bound obligating the Company or any of its subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other voting securities of the Company or of any of its subsidiaries or obligating the Company or any of its subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking. Except to the extent Paragraph 12 of Article III of the Company's Amended and Restated Articles of Incorporation or a provision comparable to such Paragraph 12 under any Gaming Law could be construed as a contractual obligation or any Stock Options contain a provision comparable to such Paragraph 12, or as may be required by any restricted stock arrangement, stock appreciation rights, tax withholding with respect to restricted and contingent stock, and stock options, payment for the exercise of which is made in capital stock of the Company, there are not any outstanding contractual obligations of the Company or any of its subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of the Company or any of its subsidiaries.

(d) Authority; Noncontravention. The Company has the requisite corporate power and authority to enter into this Agreement and, subject to approval of this Agreement by the holders of a majority of the outstanding shares of Company Common Stock, to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate action on the part of the Company, subject, in the case of this Agreement, to approval of this Agreement by the holders of a majority of the outstanding shares of Company Common Stock. This Agreement has been duly executed and delivered by the Company and, assuming this Agreement constitutes

the valid and binding obligation of Parent and Sub, constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except that (i) such enforcement may be subject to the matters set forth in the last sentence of Section 9.04 and to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) the remedy of specific performance and injunctive relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated by this Agreement (including the changes in the composition of the Board of Directors of the Company) and compliance with the provisions of this Agreement will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of any lien upon any of the properties or assets of the Company or any of its subsidiaries under, (i) the Amended and Restated Articles of Incorporation or by-laws of the Company or the comparable charter or organizational documents of any of its subsidiaries, (ii) other than contingent severance agreements, severance plans, employment agreements, tax withholding rights, stock options and stock grant agreements and subject to the governmental filings and other matters referred to in the following sentence, any loan or credit agreement (except the Loan Agreement dated as of August 21, 1992, among the Company, the banks named therein and Bank of America National Trust and Savings Association, as Agent, as amended), note, bond, mortgage, indenture (except the Senior Subordinated Indenture dated August 15, 1992, between the Company and First Trust National Association), lease or other agreement (other than understandings and business arrangements relating to projects in Missouri and Windsor, Canada), instrument, permit, concession, franchise or license applicable to the Company or any of its subsidiaries or their respective properties or assets (including all agreements described pursuant to Section 4.01(v)) or (iii) subject to the governmental filings and other matters referred to in the following sentence, any judgment, order, decree, statute, law,

ordinance, rule or regulation applicable to the Company or any of its subsidiaries or their respective properties or assets, other than, in the case of clauses (ii) or (iii), any such conflicts, violations, defaults, rights or liens that individually or in the aggregate would not (x) have a material adverse effect on the Company, (y) impair in any material respect the ability of the Company to perform its obligations under this Agreement or (z) prevent or impede, in any material respect, the consummation of any of the transactions contemplated by this Agreement. To the knowledge of the Company, no consent, approval, order or authorization of, or registration, declaration or filing with, any Federal, state or local government or any court, administrative or regulatory agency or commission or other governmental authority or agency, domestic or foreign (a "Governmental Entity"), is required by the Company or any of its subsidiaries in connection with the execution and delivery of this Agreement by the Company or the consummation by the Company of the transactions contemplated by this Agreement, except for (i) the filing of a premerger notification and report form by the Company under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), (ii) the filing with the SEC of (x) the Schedule 14D-9, (y) a proxy statement relating to any required approval by the Company's stockholders of this Agreement (as amended or supplemented from time to time, the "Proxy Statement") and (z) such reports under Section 13(a) of the Exchange Act as may be required in connection with this Agreement and the transactions contemplated by this Agreement, (iii) the filing of the Articles of Merger with the Florida Department of State and appropriate documents with the relevant authorities of other states in which the Company is qualified to do business, (iv) the approval by (A) the New Jersey Casino Control Commission under the New Jersey Casino Control Act and the rules and regulations promulgated thereunder, (B) the Nevada State Gaming Control Board and the Nevada Gaming Commission under the Nevada Gaming Control Act and the rules and regulations promulgated thereunder, (C) the Clark County Liquor and Gaming Licensing Board pursuant to the Clark County, Nevada Code and the rules and regulations promulgated thereunder, (D) the National Indian Gaming Commission under the Indian Gaming Regulatory Act and the rules and regulations promulgated thereunder, (E) the Ontario Gaming Control Commission under the Ontario Gaming

Control Act, 1992 and the rules and regulations promulgated thereunder, (F) the Indiana Gaming Commission under Article 33, Title IV of the Official Indiana Code, (G) the Missouri Gaming Commission under Mo. Rev. Stat. (S) 313.800-850 and the rules and regulations promulgated thereunder and (H) the Agua Caliente Tribal Council, (v) as may be required by any applicable state securities or "blue sky" laws, (vi) in connection with any state or local tax which is attributable to the beneficial ownership of real property of the Company or its subsidiaries, (vii) such immaterial filings and consents as may be required under any environmental, health or safety law or regulation pertaining to any notification, disclosure or required approval triggered by the Offer, the Merger or the transactions contemplated by this Agreement, (viii) such immaterial filings, consents, approvals, orders, registrations and declarations as may be required under the laws of any foreign country in which the Company or any of its subsidiaries conducts any business or owns any assets, and (ix) such other consents, approvals, orders, authorizations, registrations, declarations and filings the failure of which to be obtained or made would not, individually or in the aggregate, (x) have a material adverse effect on the Company, (y) impair, in any material respect, the ability of the Company to perform its obligations under this Agreement or (z) prevent or significantly delay the consummation of the transactions contemplated by this Agreement.

(e) SEC Documents; Financial Statements. The Company has filed all required reports, proxy statements, forms, and other documents with the SEC since July 31, 1993 (the "SEC Documents"). As of their respective dates, (i) the SEC Documents complied in all material respects with the requirements of the Securities Act of 1933 (the "Securities Act"), or the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such SEC Documents, and (ii) none of the SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Except to the extent that information contained in any SEC Document has been revised or superseded by a later-

filed SEC Document filed and publicly available prior to the date of this Agreement, none of the SEC Documents contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Documents comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with generally accepted accounting principles (except, in the case of unaudited statements, as permitted by Form 10-Q of the SEC) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present the consolidated financial position of the Company and its consolidated subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except as set forth in the SEC Documents filed and publicly available prior to the date of this Agreement, and except for liabilities and obligations incurred in the ordinary course of business consistent with past practice since the date of the most recent consolidated balance sheet included in the SEC Documents filed and publicly available prior to the date of this Agreement, neither the Company nor any of its subsidiaries has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) required by generally accepted accounting principles to be set forth on a consolidated balance sheet of the Company and its consolidated subsidiaries or in the notes thereto.

(f) Information Supplied. None of the information supplied or to be supplied by the Company expressly for inclusion or incorporation by reference in (i) the Offer Documents or (ii) the information to be filed by the Company in connection with the Offer pursuant to Rule 14f-1 promulgated under the Exchange Act (the "Information Statement"), will, at the respective times the Offer Documents and the Information Statement are filed with the SEC and first published, sent or given to the Company's stockholders, contain any untrue statement of a material fact or omit

to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Information Statement will comply as to form in all material respects with the Exchange Act and the rules and regulations thereunder, except that no representation or warranty is made by the Company with respect to statements made or incorporated by reference therein based on information supplied by Parent or Sub for inclusion or incorporation by reference therein.

(g) Absence of Certain Changes or Events. Except as disclosed in the SEC Documents filed and publicly available prior to the date of this Agreement or as set forth in Schedule 4.01(g), since July 31, 1994, the Company and its subsidiaries have conducted their respective businesses only in the ordinary course, and there has not been (i) any material adverse change in the Company, (ii) any declaration, setting aside or payment of any dividend or other distribution with respect to its capital stock, (iii) any split, combination or reclassification of any of its capital stock or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, (iv) (x) any granting by the Company or any of its subsidiaries to any officer of the Company or any of its subsidiaries of any increase in compensation, except in the ordinary course of business (including in connection with promotions) consistent with prior practice or as was required under employment agreements in effect as of the date of the most recent audited financial statements included in the SEC Documents filed and publicly available prior to the date of this Agreement, (y) any granting by the Company or any of its subsidiaries to any such officer of any increase in severance or termination pay, except as part of a standard employment package to any person promoted or hired (but not including the five most senior officers), or as was required under employment, severance or termination agreements in effect as of the date of the most recent audited financial statements included in the SEC Documents filed and publicly available prior to the date of this Agreement or as disclosed in Schedule 4.01(g) or (z) except termination arrangements in the ordinary course of business consistent with past practice with employees other than

any executive officer of the Company and except for the two employment agreements referred to in Section 6.10(a), any entry by the Company or any of its subsidiaries into any employment, severance or termination agreement with any such officer, (v) any damage, destruction or loss, whether or not covered by insurance, that has or reasonably could be expected to have a material adverse effect on the Company or (vi) any change in accounting methods, principles or practices by the Company materially affecting its assets, liabilities or business, except insofar as may have been required by a change in generally accepted accounting principles.

(h) Litigation. Except as disclosed in the SEC Documents, there is no suit, action or proceeding pending or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries that, individually or in the aggregate, could reasonably be expected to have a material adverse effect on the Company, nor is there any judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against the Company or any of its subsidiaries that, individually or in the aggregate, could reasonably be expected to have such an effect; it being understood that this representation shall not include any litigation of the nature described in paragraph (a) of Exhibit A.

(i) Absence of Changes in Benefit Plans. Except as disclosed in Schedule 4.01(i), Schedules 4.01(j)(i), (ii) or (iii), in the SEC Documents or as otherwise expressly permitted hereunder, there has not been any adoption or amendment in any material respect by the Company or any of its subsidiaries of any Benefit Plan (as defined in Section 4.01(j) hereof) since July 31, 1994. All employment, consulting, severance, termination or indemnification agreements, arrangements or understandings between the Company or any of its subsidiaries and any current or former officer or director of the Company or any of its subsidiaries which are required to be disclosed in the SEC Documents have been disclosed therein.

(j) ERISA Compliance. (i) As soon as practicable after the signing of this Agreement, the Company will make available all "employee pension benefit plans" (as defined in Section 3(2) of the

Employee Retirement Income Security Act of 1974, as amended ("ERISA")) (sometimes referred to herein as "Pension Plans"), "employee welfare benefit plans" (as defined in Section 3(1) of ERISA) and all other plans, arrangements or policies relating to stock options, stock purchases, compensation, deferred compensation, severance, fringe benefits and other employee benefits, in each case maintained, or contributed to, or required to be maintained or contributed to, by the Company, any of its subsidiaries or any other person or entity that, together with the Company, is treated as a single employer under Section 414(b), (c), (m) or (o) of the Code (each a "Commonly Controlled Entity") for the benefit of any current or former employees, officers or directors (or any beneficiaries thereof) of the Company or any of its subsidiaries (collectively, "Benefit Plans"). Certain Benefit Plans affecting officers and directors which are sponsored by the Company are disclosed in Schedule 4.01(j)(i).

(ii) Each Benefit Plan sponsored by the Company or any subsidiary (a "Company Benefit Plan") has been administered in all material respects in accordance with its terms. Except as disclosed in Schedule 4.01(j)(ii), the Company and all the Company Benefit Plans are all in compliance in all material respects with applicable provisions of ERISA and the Code and all other applicable laws. The most recent Form 5500 and summary plan description for each Company Benefit Plan for which such documents are required was complete and correct in all material respects. There are (or, in the case of Benefit Plans that are multiemployer plans (as defined in Section 4001(a)(3) of ERISA) (each, a "Multiemployer Plan"), there are to the knowledge of the Company) no investigations by any governmental agency, termination proceedings or other claims (except claims for benefits payable in the normal operation of the Benefit Plans), suits or proceedings against or involving any Benefit Plan or asserting any rights to or claims for benefits under any Benefit Plan that could give rise to any material liability, and, to the knowledge of the Company, there are not any facts that could reasonably be expected to give rise to any material liability in the event of any such investigation, claim, suit or proceeding. No "prohibited transaction" (as defined in Section 4975 of the Code or Section 406 of ERISA) has occurred in respect of any Company Benefit Plan and, to the

knowledge of the Company, no such transaction has occurred between the Company or any employee, officer or director thereof and any Multiemployer Plan. The Company does not maintain any defined benefit pension plan except the two Executive Security Plans. The Executive Security Plans are not subject to the funding requirements of ERISA or the Code and are not tax-qualified plans.

(iii) Schedule 4.01(j)(iii) lists the Multiemployer Plans covering employees of the Company or its subsidiaries and sets forth a list, for each location at which such employees are or were covered by a Multiemployer Plan, (y) of the number of covered employees, contribution rate and hours from 1987 to the date hereof, in the case of New Jersey, and (z) of the number of covered employees and aggregate pension expense from 1990 to the date hereof and aggregate pension expense for 1988 and 1989, in the case of Nevada. The aggregate amount of withdrawal liability (as defined in Section 4201 of ERISA) if each Commonly Controlled Entity were to withdraw from each Multiemployer Plan would not exceed $25,000,000. To the knowledge of the Company, no Commonly Controlled Entity has engaged in a transaction described in Section 4069 of ERISA that could subject the Company to liability at any time after the date hereof. To the knowledge of the Company, no Commonly Controlled Entity has acted in a manner that could, or failed to act so as to, result in fines, penalties, taxes or related charges under (x) Section 502(c), (i) or (1) of ERISA, (y) Section 4071 of ERISA or (z) Chapter 43 of the Code.

(iv) To the knowledge of the Company, and except for collective bargaining agreements during the respective terms thereof, and for the Company's contingent severance agreements, employment agreements or severance pay plan for corporate officers and corporate staff, there are no understandings, agreements or undertakings, except pursuant to Section 6.10 hereof, that would prevent any Benefit Plan that is an employee welfare benefit plan (including any such Benefit Plan covering retirees) from being amended or terminated, on or at any time after the consummation of the Offer, without such amendment or termination causing material liability to the Company or any of its subsidiaries over that which is already accrued.

(v) To the knowledge of the Company, no Commonly Controlled Entity has incurred any material liability, and no event has occurred that would result in any material liability, to a pension plan subject to the funding requirements of ERISA and the Code (other than for contributions not yet due) or to the Pension Benefit Guaranty Corporation (other than for payment of premiums not yet due) that has not been fully paid as of the date hereof, provided that the foregoing has no application to Multiemployer Plans.

(vi) The information supplied to the actuary for use in preparing the actuarial reports or valuations for the trusts under the Caesars World, Inc. and Subsidiaries Benefit Trust Agreement and the Boardwalk Regency Corporation Benefit Trust Agreement was complete and accurate in all material respects. The Company has no reason to believe that any conclusions expressed in those reports or valuations are incorrect. The Company and certain of its subsidiaries have contributed to such trusts the amounts required by the most recent actuarial calculation of liabilities thereunder. As of July 31, 1994, the aggregate amount in such trusts was $12,756,000.

(vii) Except as provided in the Company's severance pay plan, the two employment agreements with Messrs. Gluck and Lanni, the contingent severance agreements, and except for the vesting and accelerated exercisability with respect to contingent or restricted stock agreements, stock options and stock appreciation rights, no employee of the Company or any of its subsidiaries will be entitled to any additional benefits or any acceleration of the time of payment or vesting of any benefits under any Benefit Plan as a result of the transactions contemplated by this Agreement.

(viii) The only "postemployment benefits" (other than disability-related benefits), as defined in Statement of Financial Accounting Standards No. 112, and the only "postretirement benefits", as defined in Statement of Financial Accounting Standards No. 106, which the Company is obligated to provide are those described in its two employment agreements and any such benefits which may be required by the Consolidated Ommibus Budget Reconciliation Act ("COBRA").

(k) Taxes. (i) Each of the Company and each of its subsidiaries has filed all Federal income tax returns and all other material tax returns and reports required to be filed by it. To the knowledge of the Company, all such returns are complete and correct in all material respects. To the knowledge of the Company, each of the Company and each of its subsidiaries has paid (or the Company has paid on its subsidiaries' behalf) all taxes shown as due on such returns and all material taxes for which no return was required to be filed, and the most recent financial statements contained in the SEC Documents reflect an adequate reserve for all taxes payable by the Company and its subsidiaries for all taxable periods and portions thereof through the date of such financial statements, except in respect of certain possible industry-wide issues pertaining to deductibility of complimentaries and the treatment of certain discounts and customer bad debts, which issues are the subject of pending IRS technical advice submissions.

(ii) Except with respect to the industry-wide issues specified in the last sentence of Section 4.01(k)(i), no material deficiencies for any taxes have been proposed, asserted or assessed against the Company or any of its subsidiaries, which are not reserved for. The Federal income tax returns of the Company and each of its subsidiaries consolidated in such returns have been examined by and settled with the Internal Revenue Service for all years through 1988 and all returns after 1988 are open and subject to examination.

(iii) As used in this Agreement, "taxes" shall include all Federal, state, local and foreign income, property, sales, excise and other taxes, tariffs or governmental charges of any nature whatsoever.

(l) No Excess Parachute Payments. To the knowledge of the Company, any amount that could be received (whether in cash or property or the vesting of property) as a result of any of the transactions contemplated by this Agreement by any employee, officer or director of the Company or any of its affiliates who is a "disqualified individual" (as such term is defined in proposed Treasury Regulation Section 1.280G-1) under any employment, severance or termination agreement, other compensation arrangement or Benefit Plan

currently in effect should not be characterized as an "excess parachute payment" (as such term is defined in Section 280G(b)(1) of the Code and the proposed regulations thereunder).

(m) Compliance with Applicable Laws. (i) To the knowledge of the Company, each of the Company and its subsidiaries has in effect all Federal, state, local and foreign governmental approvals, authorizations, certificates, filings, franchises, licenses, notices, permits and rights, including all authorizations under Environmental Laws and Gaming Laws ("Permits"), necessary for it to own, lease or operate its properties and assets and to carry on its business as now conducted other than such Permits the absence of which would not, individually or in the aggregate, have a material adverse effect on the Company, and there has occurred no default under any such Permit other than such defaults which, individually or in the aggregate, would not have a material adverse effect on the Company. To the knowledge of the Company, except as disclosed in the SEC Documents filed and publicly available prior to the date of this Agreement, the Company and its Subsidiaries are in compliance with all applicable statutes, laws, ordinances, rules, orders and regulations of any Governmental Entity, except for possible noncompliance which individually or in the aggregate would not have a material adverse effect on the Company. The preceding sentence of this Section 4.01(m)(i) does not apply to matters specifically covered by Sections 4.01(j), 4.01(k) or 4.01(m)(ii) through 4.01(m)(viii).

(ii) To the knowledge of the Company, each of the Company and its subsidiaries is in compliance with all applicable Gaming Laws, except for possible noncompliance which individually or in the aggregate would not have a material adverse effect on the Company. The term "Gaming Laws" means any Federal, state, local or foreign statute, ordinance, rule, regulation, permit, consent, approval, license, judgment, order, decree, injunction or other authorization governing or relating to the current or contemplated casino and gaming activities and operations of the Company, including the New Jersey Casino Control Act and the rules and regulations promulgated thereunder, the Nevada Gaming Control Act and the rules and regulations promulgated thereunder,

the Clark County, Nevada Code and the rules and regulations promulgated thereunder, Article 33 of Title IV of the Official Indiana Code and the rules and regulations promulgated thereunder, the Indian Gaming Regulatory Act and the rules and regulations promulgated thereunder, Mo. Rev. Stat. (S)(S) 313.800-.850 and the rules and regulations promulgated thereunder and the Ontario Gaming Control Act, 1992 and the rules and regulations promulgated thereunder.

(iii) To the knowledge of the Company, neither the Company nor any Significant Subsidiary of the Company nor any director or officer of the Company or any Significant Subsidiary of the Company has received any written claim, demand, notice, complaint, court order or administrative order from any Governmental Entity in the past three years, asserting that a license of it or them, as applicable, under any Gaming Laws should be revoked or suspended other than in respect of a former marketing executive of Boardwalk Regency whose license was revoked.

(iv) To the knowledge of the Company, each of the Company and its subsidiaries is, and has been, and each of the Company's former subsidiaries, while a subsidiary of the Company, was in compliance with all applicable Environmental Laws, except for possible noncompliance which individually or in the aggregate would not have a material adverse effect on the Company. The term "Environmental Laws" means any Federal, state, local or foreign statute, ordinance, rule, regulation, permit, consent, approval, license, judgment, order, decree, injunction or other authorization, relating to: (A) Releases (as defined in 42 U.S.C. (S) 9601(22)) or threatened Releases of Hazardous Material (as hereinafter defined) into the environment or (B) the generation, treatment, storage, disposal, use, handling, manufacturing, transportation or shipment of, or exposure to, a Hazardous Material.

(v) To the knowledge of the Company, neither the Company nor any subsidiary of the Company has received any written claim, demand, notice, complaint, court order, administrative order or request for information from any Governmental Entity or private party in the past three years, alleging violation of, or asserting any noncompliance with or liability under or potential liability under, any Environmental Laws which

individually or in the aggregate would reasonably be expected to have a material adverse effect on the Company.

(vi) To the knowledge of the Company, during the period of ownership or operation by the Company and its subsidiaries of any of their respective current or previously owned or leased properties, there have been no Releases of Hazardous Material in, on, under or affecting such properties and none of the Company or its subsidiaries have disposed of any Hazardous Material or any other substance in a manner that has led, or could reasonably be anticipated to lead to a Release except in each case for those which individually or in the aggregate are not reasonably likely to have a material adverse effect on the Company. Prior to the period of ownership or operation by the Company and its subsidiaries of any of their respective current or previously owned or leased properties, to the knowledge of the Company no Hazardous Material was generated, treated, stored, disposed of, used, handled or manufactured at, or transported shipped or disposed of from, such current or previously owned or leased properties, and there were no Releases of Hazardous Material in, on, under or affecting any such property or any surrounding site, except in each case for those which individually or in the aggregate would not be reasonably likely to have a material adverse effect on the Company. The term "Hazardous Material" means (1) hazardous substances (as defined in 42 U.S.C. (S) 9601(14)), (2) petroleum, including crude oil and any fractions thereof, (3) natural gas, synthetic gas and any mixtures thereof, (4) asbestos and/or asbestos-containing material, (5) PCBs, or materials containing PCBs in excess of 50 ppm, and any material regulated as a medical waste or infectious waste.

(vii) Schedule 4.01(m)(vii) identifies all environmental audits, assessments or studies within the possession of the Company or any Significant Subsidiary of the Company with respect to the facilities or real property owned, leased or operated by the Company or any Significant Subsidiary of the Company, which were conducted within the last five years. As soon as practicable after the date of this Agreement, the Company will furnish to Parent complete and correct copies of all such audits, assessments and studies.

(viii) The transactions contemplated by this Agreement will not require compliance with the New Jersey Industrial Site Recovery Act or any similar state transfer law.

(n) State Takeover Statutes; Charter Provisions. The Board of Directors of the Company has approved the Offer, the Merger, this Agreement and the Option Agreement and such approval is sufficient to render inapplicable to the Offer, the Merger, this Agreement and the Option Agreement and the other transactions contemplated by this Agreement and the Option Agreement, the provisions of Section 607.0901 of the FBCA, the provisions of Section 607.0902 of the FBCA and the provisions of Paragraph A of Article XI of the Company's Amended and Restated Articles of Incorporation.

(o) Voting Requirements. The affirmative vote of the holders of a majority of all the shares of Company Common Stock entitled to be cast approving this Agreement is the only vote of the holders of any class or series of the Company's capital stock necessary to approve this Agreement and the transactions contemplated by this Agreement.

(p) Rights Agreement. The Company and the Board of Directors of the Company have taken and will maintain in effect all necessary action to (i) render the Rights Agreement inapplicable with respect to the Offer, the Merger, the Option Agreement and the other transactions contemplated by this Agreement and (ii) ensure that (y) neither Parent nor Sub nor any of their Affiliates (as defined in the Rights Agreement) or Associates (as defined in the Rights Agreement) is considered to be an Acquiring Person (as defined in the Rights Agreement) or an Adverse Person (as defined in the Rights Agreement) or an Unqualified Gaming Person (as defined in the Rights Agreement) and (z) a Distribution Date (as defined in the Rights Agreement) does not and shall not occur by reason of the announcement or consummation of the Offer, the Merger, the Option Agreement or the consummation of any of the other transactions contemplated by this Agreement. The Company has delivered to Parent a complete and correct copy of the Rights Agreement as amended and supplemented to the date of this Agreement.

(q) Brokers. No broker, investment banker, financial advisor or other person, other than Merrill Lynch & Co., the fees and expenses of which will be paid by the Company, is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company. The Company has provided Parent true and correct copies of all agreements between Company and Merrill Lynch & Co.

(r) Opinion of Financial Advisor. The Company has received the opinion of Merrill Lynch & Co., to the effect that, as of the date of this Agreement, the consideration to be received in the Offer and the Merger by the Company's stockholders is fair to the Company's stockholders from a financial point of view, and a complete and correct signed copy of such opinion has been, or promptly upon receipt thereof will be, delivered to Parent.

(s) Trademarks, etc. To the knowledge of the Company, the material patents, trademarks (registered or unregistered), trade names, service marks and copyrights and applications therefor owned, used or filed by or licensed to the Company and its subsidiaries (collectively, "Intellectual Property Rights") are sufficient to allow each of the Company and each of its Significant Subsidiaries to conduct, and continue to conduct, its business as currently conducted or as the Company proposes to conduct such business. To the knowledge of the Company, each of the Company and each of its Significant Subsidiaries owns or has sufficient unrestricted right to use the Intellectual Property Rights in order to allow it to conduct, and continue to conduct, its business as currently conducted or as the Company proposes to conduct such business, and the consummation of the transactions contemplated hereby will not alter or impair such ability in any respect which individually or in the aggregate would be reasonably likely to have a material adverse effect on the Company. To the knowledge of the Company, neither the Company nor any of its Significant Subsidiaries has received any oral or written notice from any other person pertaining to or challenging the right of the Company or any of its Significant Subsidiaries to use any of the Intellectual Property Rights, which challenge or other assertion, if

upheld or successful, individually or in the aggregate would be reasonably likely to have a material adverse effect on the Company. To the knowledge of the Company, no claims are pending by any person with respect to the ownership, validity, enforceability or use of any such Intellectual Property Rights challenging or questioning the validity or effectiveness of any of the foregoing which claims would reasonably be expected to have a material adverse effect on the Company. To the knowledge of the Company, neither the Company nor any of its Significant Subsidiaries has made any claim of a violation or infringement by others of its rights to or in connection with the Intellectual Property Rights in any such case where such claims (individually or in the aggregate) would reasonably be expected to have a material adverse effect on the Company.

(t) Title to Properties. To the knowledge of the Company, each of
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the Company and each of its Significant Subsidiaries has sufficiently good and valid title to, or an adequate leasehold interest in, its material tangible properties and assets in order to allow it to conduct, and continue to conduct, its business as currently conducted or as the Company proposes to conduct such business. Such material tangible assets and properties are sufficiently free of liens to allow each of the Company and each of its subsidiaries to conduct, and continue to conduct, its business as currently conducted, or as the Company proposes to conduct such business and, to the knowledge of the Company, the consummation of the transactions contemplated by this Agreement will not alter or impair such ability in any respect which individually or in the aggregate would be reasonably likely to have a material adverse effect on the Company. To the knowledge of the Company, each of the Company and each of its subsidiaries enjoys peaceful and undisturbed possession under all material leases, except for such breaches of the right to peaceful and undisturbed possession that do not materially interfere with the ability of the Company and its subsidiaries to conduct its business as currently conducted. Schedule 4.01(t) sets forth a complete list of all material real property and material interests in real property owned in fee by the Company or one of its subsidiaries and sets forth all material real property and interests in

real property leased by the Company or one of its subsidiaries as of the date hereof.

(u) Insurance. To the knowledge of the Company, the Company and its Significant Subsidiaries have obtained and maintained in full force and effect insurance with responsible and reputable insurance companies or associations in such amounts, on such terms and covering such risks, including fire and other risks insured against by extended coverage, as is reasonably prudent, and each has maintained in full force and effect public liability insurance, insurance against claims for personal injury or death or property damage occurring in connection with any of activities of the Company or its Significant Subsidiaries or any of any properties owned, occupied or controlled by the Company or its Significant Subsidiaries, in such amount as reasonably deemed necessary by the Company or its Significant Subsidiaries.

(v) Contracts; Debt Instruments. Except as set forth in the SEC Documents and as set forth in Schedule 4.01(v), there are no (i) agreements of the Company or any of its subsidiaries containing an unexpired covenant not to compete or similar restriction applying to the Company or any of its subsidiaries, (ii) interest rate, currency or commodity hedging, swap or similar derivative transactions to which the Company is a party or (iii) other contracts or amendments thereto that would be required to be filed as an exhibit to a Form 10-K filed by the Company with the SEC as of the date of this Agreement. To the knowledge of the Company, each of the agreements listed in Schedule 4.01(v) and the SEC Documents is a valid and binding obligation of the Company or its subsidiary, as the case may be, and, to the Company's knowledge, of each other party thereto, and each such agreement is in full force and effect and is enforceable by the Company or its subsidiary in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) the remedy of specific performance and injunctive relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought and except to the extent any covenant not to compete contained

therein may be unenforceable. To the knowledge of the Company, there are no existing defaults (or circumstances or events that, with the giving of notice or lapse of time or both would become defaults) of the Company or any of its subsidiaries (or, to the knowledge of the Company, any other party thereto) under any of the agreements set forth in the SEC Documents or agreements listed in Schedule 4.01(v) except for defaults that have not and would not, individually or in the aggregate, have a material adverse effect on the Company.

(w) Labor Relations. Except as disclosed in the SEC Documents, no strike or other labor dispute involving the Company or any of its subsidiaries is pending or, to the knowledge of the Company, threatened, and, to the knowledge of the Company, there is no activity involving any unorganized employees of the Company or any of its subsidiaries seeking to certify a collective bargaining unit or engaging in any other organization activity. Except as set forth in Schedule 4.01(w) and as disclosed in the SEC Documents, since July 31, 1994, there has not been any adoption or amendment in any material respect by the Company or any of its subsidiaries of any collective bargaining agreement. Other than those filed as exhibits to the SEC Documents, Schedule 4.01(w) lists all collective bargaining agreements of the Company or any of its subsidiaries.

SECTION 4.02. Representations and Warranties of Parent and Sub. Parent and Sub represent and warrant to the Company as follows:

(a) Organization, Standing and Corporate Power. Each of Parent and each of its significant subsidiaries (as such term is defined in Rule 1-02 of Regulation S-X of the SEC) and Sub is a corporation or partnership duly organized, validly existing and in good standing under the laws of the jurisdiction in which each is incorporated and has the requisite corporate or partnership power and authority to carry on its business as now being conducted. Each of Parent and Sub is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or licensing necessary, other than in such jurisdictions where the

failure to be so qualified or licensed (individually or in the aggregate) would not have a material adverse effect on Parent. Parent will make available to the Company complete and correct copies of its certificate of incorporation and by-laws and the articles of incorporation and by-laws of Sub, in each case as amended to the date of this Agreement.

(b) Authority; Noncontravention. Parent and Sub have the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement by Parent and Sub and the consummation by Parent and Sub of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate action on the part of Parent and Sub, as applicable. This Agreement has been duly executed and delivered by Parent and Sub and, assuming this Agreement constitutes the valid and binding obligation of the Company, constitutes a valid and binding obligation of each such party, enforceable against each such party in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) the remedy of specific performance and injunctive relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated by this Agreement will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of any lien upon any of the properties or assets of Parent under, (i) the certificate of incorporation or by-laws of Parent or Sub, (ii) subject to the governmental filings and other matters referred to in the following sentence, any loan or credit agreement, note, bond, mortgage, indenture, lease or other agreement, instrument, permit, concession, franchise or license applicable to Parent or (iii) subject to the governmental filings and other matters referred to in the following sentence, any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Parent or

Sub or their respective properties or assets, other than, in the case of clauses (ii) or (iii), any such conflicts, violations, defaults, rights or liens that individually or in the aggregate would not (x) have a material adverse effect on Parent, (y) impair in any material respect the ability of Parent and Sub to perform their respective obligations under this Agreement or (z) prevent or impede the consummation of any of the transactions contemplated by this Agreement. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by Parent or Sub in connection with the execution and delivery of this Agreement or the consummation by Parent or Sub, as the case may be, of any of the transactions contemplated by this Agreement, except for (i) the filing of a premerger notification and report form under the HSR Act, (ii) the filing with the SEC of (x) the Offer Documents and (y) such reports under the Exchange Act as may be required in connection with this Agreement and the transactions contemplated by this Agreement, (iii) the filing of the Articles of Merger with the Florida Department of State and appropriate documents with the relevant authorities of other states in which the Company is qualified to do business, (iv) the approval by (A) the New Jersey Casino Control Commission under the New Jersey Casino Control Act and the regulations promulgated thereunder, (B) the Nevada State Gaming Control Board and the Nevada Gaming Commission under the Nevada Gaming Control Act and the regulations promulgated thereunder, (C) the Clark County Liquor and Gaming Licensing Board pursuant to the Clark County, Nevada Code and the rules and regulations promulgated thereunder, (D) the National Indian Gaming Commission under the Indian Gaming Regulatory Act and the rules and regulations promulgated thereunder, (E) the Ontario Gaming Control Commission under the Ontario Gaming Control Act, 1992 and the rules and regulations promulgated thereunder, (F) the Indiana Gaming Commission under Article 33, Title IV of the Official Indiana Code, (G) the Missouri Gaming Commission under Mo. Rev. Stat. (S)(S) 313.800-850 and the rules and regulations promulgated thereunder and (H) the Agua Caliente Tribal Council, (v) as may be required by an applicable state securities or "blue sky" laws, (vi) in connection with any state or local tax which is attributable in respect of the beneficial ownership of real property of the Company or its subsidiaries, (vii)

such immaterial filings and immaterial consents as may be required under any environmental, health or safety law or regulation pertaining to any notification, disclosure or required approval triggered by the Offer, the Merger or the transactions contemplated by this Agreement, (viii) such immaterial filings, consents, approvals, orders, registrations and declarations as may be required under the laws of any foreign country in which the Parent or any of its subsidiaries or the Company or any of its subsidiaries conducts any business or owns any assets, and (ix) such other consents, approvals, orders, authorizations, registrations, declarations and filings the failure of which to be obtained or made would not, individually or in the aggregate, (x) have a material adverse effect on Parent, (y) impair, in any material respect, the ability of Parent to perform its obligations under this Agreement or (z) prevent or significantly delay the consummation of the transactions contemplated by this Agreement.

(c) Information Supplied. None of the information supplied or to be supplied by Parent or Sub expressly for inclusion or incorporation by reference in the Schedule 14D-9, the Information Statement or the Proxy Statement will, in the case of the Schedule 14D-9 and the Information Statement, at the respective times the Schedule 14D-9 and the Information Statement are filed with the SEC and first published, sent or given to the Company's stockholders or, in the case of the Proxy Statement, on the date the Proxy Statement is first mailed to the Company's stockholders and at the time of the meeting of the Company's stockholders held to vote on approval and adoption of this Agreement, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

(d) Brokers. No broker, investment banker, financial advisor or other person, other than Bear, Stearns & Co. Inc. or a co-dealer manager other than Bear, Stearns & Co. Inc., the fees and expenses of which will be paid by Parent, is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transac-

tions contemplated by this Agreement based upon arrangements made by or on behalf of Parent or Sub.

(e) Financing. Parent has sufficient funds available to purchase all the outstanding shares on a fully diluted basis of Company Common Stock pursuant to the Offer and the Merger and to pay all fees and expenses related to the transactions contemplated by this Agreement.

(f) Interim Operations of Sub. Sub was formed solely for the purpose of engaging in the transactions contemplated hereby and has not engaged in any business activities or conducted any operations other than in connection with the transactions contemplated hereby.

(g) Ownership of Company Common Stock. To the actual knowledge of Parent, neither Parent nor any of its affiliates is the record owner of, or has any beneficial interest in, any shares of Company Common Stock. This Section 4.02(g) does not apply to any pension plan of Parent or any of its affiliates and does not apply in respect of the general account at ITT Hartford.

(h) Permits. To the actual knowledge of Parent, there is no fact or circumstance which would reasonably be expected to prevent or materially delay the obtaining of any consent or approval by Parent which is required to be obtained by Parent in connection with this Agreement.

ARTICLE V

COVENANTS RELATING TO CONDUCT OF BUSINESS

SECTION 5.01. (a) Conduct of Business. During the term of this Agreement, except as specifically required by this Agreement, the Company shall and shall cause its subsidiaries to carry on their respective businesses in the ordinary course and use all reasonable efforts consistent with good business judgment to preserve intact their current business organizations, keep available the services of their current officers and employees and preserve their relationships consistent with past practice with desirable customers, suppliers, licensors, licensees, distributors and others having business dealings with them to the end that

their goodwill and ongoing businesses shall be unimpaired in all material respects at the Effective Time. Except for transactions specifically disclosed in the SEC Documents, without limiting the generality of the foregoing, the Company shall not, and shall not permit any of its subsidiaries to (without Parent's prior written consent, which consent may not be unreasonably withheld):

(i) (A) declare, set aside or pay any dividends on, or make any other distributions in respect of, any of its capital stock, other than dividends and distributions by any direct or indirect wholly owned subsidiary of the Company to its parent, (B) split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or (C) except as shall be required under currently existing terms of any stock-based benefit plan, purchase, redeem or otherwise acquire or amend (except in respect of the Rights as contemplated by Sections 4.01(p) and 6.09) any shares of capital stock of the Company or any of its subsidiaries or any other securities thereof or any rights, warrants or options to acquire any such shares or other securities (other than (x) redemptions, purchases or other acquisitions required by applicable provisions under Gaming Laws, (y) issuances or redemptions of capital stock of wholly-owned subsidiaries occurring between the Company and any of its wholly-owned subsidiaries or occurring between wholly-owned subsidiaries of the Company and (z) issuances of capital stock or ownership interests in connection with the organization of new entities for purposes of business development and management activities as permitted by this Agreement);

(ii) issue, deliver, sell, pledge or otherwise encumber or amend any shares of its capital stock, any other voting securities or any securities convertible into, or any rights, warrants or options to acquire, any such shares, voting securities or convertible securities (other than the issuance of Company Common Stock upon the exercise of employee stock options and contingent incentive plans (including with respect to contingent shares of Company Common Stock) outstanding on the date of this Agreement in accordance with their present terms and other than the issuance of Company Common Stock pursuant to the Option Agreement);

(iii) amend its Amended and Restated Articles of Incorporation, By-laws or other comparable charter or organizational documents;

(iv) acquire or agree to acquire (A) by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, joint venture, association or other business organization or division thereof or (B) any assets that are material, individually or in the aggregate, to the Company and its subsidiaries taken as a whole, except (x) purchases of inventory, furnishings and equipment in the ordinary course of business consistent with past practice or (y) expenditures consistent with the Company's current capital budget previously provided to Parent; provided that
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transactions of the type referenced in this subparagraph (iv) by the Company and its subsidiaries shall be permitted (a) to the extent required under existing agreements or, with respect to projects in Windsor, Canada, understandings (collectively, "Current Commitments") and (b) in addition to what is otherwise permitted in this subparagraph (iv), the aggregate amount that the Company and its subsidiaries may spend or commit to spend in respect of such transactions (other than Current Commitments) without being able to cancel or withdraw such commitments absent material penalty or cost to the Company and its subsidiaries shall not exceed in the aggregate $35 million; and, provided further that any transaction specified by the
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immediately preceding proviso shall not be so permitted if the Company would not be able to enjoy the benefits in respect of the relevant assets, business, corporation, partnership, joint venture, association or other business organization or division after consummation of the Offer, the Merger and the other transactions contemplated by this Agreement and the Option Agreement or there would be required any additional consents, approvals, orders or authorizations of, or registrations or filings with, any Governmental Entity which would delay in any material respect the consummation of the transactions contemplated by this Agreement and the Option Agreement; and, provided further that, notwithstanding the foregoing
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limitations, the Company may engage in any projects within that state of the United States previously discussed by the parties after, to the

extent permitted by law, consultation between the Company and Parent;

(v) sell, lease, license, mortgage or otherwise encumber or subject to any lien or otherwise dispose of any of its properties or assets, except transactions in the ordinary course of business consistent with past practice;

(vi) (A) other than (1) ordinary course working capital borrowings, (2) Current Commitments, (3) projects approved prior to the date of this Agreement by the Board of Directors of the Company, (4) specific projects referred to in the capital budget of the Company previously provided to Parent and (5) other incurrences of indebtedness which, in the aggregate, do not exceed $10 million, incur any indebtedness for borrowed money or guarantee any such indebtedness of another person, issue or sell any debt securities or warrants or other rights to acquire any debt securities of the Company or any of its subsidiaries, guarantee any debt securities of another person, enter into any "keep well" or other agreement to maintain any financial statement condition of another person or enter into any arrangement having the economic effect of any of the foregoing or (B) other than (v) to the Company or any direct or indirect wholly owned subsidiary of the Company, (w) advances to employees, suppliers or customers in the ordinary course of business consistent with past practice, (x) Current Commitments, (y) projects approved prior to the date of this Agreement by the Board of Directors of the Company and (z) specific projects referred to in the capital budget of the Company previously provided to Parent, make any loans, advances or capital contributions to, or investments in, any other person;

(vii) make any material tax election or settle or compromise any material tax liability;

(viii) pay, discharge, settle or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge, settlement or satisfaction, in the ordinary course of business consistent with past practice or in accordance with their terms, of liabilities reflected or reserved against in, the most recent consolidated financial statements (or the

notes thereto) of the Company included in the SEC Documents filed and publicly available prior to the date of this Agreement or incurred in the ordinary course of business consistent with past practice, or, except in the ordinary course of business consistent with past practice, waive the benefits of, or agree to modify in any manner, any confidentiality, standstill or similar agreement to which the Company or any of its subsidiaries is a party;

(ix) except as required to comply with applicable law, (A) adopt, enter into, terminate or amend any Benefit Plan or other arrangement for the benefit or welfare of any director, officer or current or former employee, except as described in Section 6.10(e) hereof and except to the extent necessary to coordinate any such benefit plans with the terms of this Agreement (including the provisions of the employment agreements referenced in the last sentence of Section 6.10(a)), (B) increase in any manner the compensation or fringe benefits of, or pay any bonus to, any director, officer or employee (except for normal increases or bonuses in the ordinary course of business consistent with past practice to employees other than directors, officers or senior management personnel and that, in the aggregate, do not result in a significant increase in benefits or compensation expense to the Company and its subsidiaries relative to the level in effect prior to such action (but in no event shall the aggregate amount of all such increases exceed 4% of the aggregate annualized compensation expense of the Company and its subsidiaries reported in the most recent audited financial statements of the Company included in the SEC Documents)), (C) pay any benefit not provided for under any Benefit Plan, (D) except as permitted in clause (B), grant any awards under any bonus, incentive, performance or other compensation plan or arrangement or Benefit Plan (including the grant of stock options, stock appreciation rights, stock based or stock related awards, performance units or restricted stock, or the removal of existing restrictions in any Benefit Plans or agreements or awards made thereunder) or (E) except for the funding of rabbi trusts for non-qualified retirement benefits to the extent previously approved by the Board of Directors of the Company or any committee thereof, prior to the date of this Agreement, take any action to fund or in any other way secure the payment of

compensation or benefits under any employee plan, agreement, contract or arrangement or Benefit Plan other than in the ordinary course of business consistent with past practice; provided, however, that the Company may take
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any action described in (A), (C) and (D) above that does not involve the five most senior officers of the Company and that, taken together, has an aggregate economic cost to the Company of less than $7,500,000.

(x) make any new capital expenditure or expenditures, other than capital expenditures not to exceed, in the aggregate, the amounts provided for capital expenditures (x) in respect of Current Commitments, (y) in respect of projects approved prior to the date of this Agreement and (z) in the capital budget of the Company provided to Parent;

(xi) except in the ordinary course of business and except as otherwise permitted by this Agreement, modify, amend or terminate any contract or agreement set forth in the SEC Documents to which the Company or any subsidiary is a party or waive, release or assign any material rights or claims; or

(xii) authorize any of, or commit or agree to take any of, the foregoing actions except as otherwise permitted by this Agreement.

(b) Other Actions. The Company shall not, and shall not permit any
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of its subsidiaries to, take any action that would result in (i) any of its representations and warranties set forth in this Agreement that are qualified as to materiality becoming untrue, (ii) any of such representations and warranties that are not so qualified becoming untrue in any material respect or (iii) any of the conditions to the Offer set forth in Exhibit A not being satisfied (subject to the Company's right to take action specifically permitted by Section 5.02).

SECTION 5.02. No Solicitation. (a) The Company shall not, nor shall
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it permit any of its subsidiaries to, nor shall it authorize or permit any officer, director or employee of, or any investment banker, attorney or other advisor or representative of, the Company or any of its subsidiaries to, (i) solicit or initiate, or encourage the submission of, any takeover proposal or (ii) participate in any discussions or negotiations regarding, or furnish to any

person any information with respect to, or take any other action to facilitate the making of any proposal that constitutes, or may reasonably be expected to lead to, any takeover proposal; provided, however, that, prior to the acceptance for payment of shares of Company Common Stock pursuant to the Offer, if in the opinion of the Board of Directors, after consultation with counsel, such failure to act would be inconsistent with its fiduciary duties to the Company's stockholders under applicable law, the Company may, in response to an unsolicited takeover proposal, and subject to compliance with Section 5.02(c), (A) furnish information with respect to the Company to any person pursuant to a confidentiality agreement and (B) participate in negotiations regarding such takeover proposal. Without limiting the foregoing, it is understood that any violation of the restrictions set forth in the preceding sentence by any director or executive officer of the Company or any of its subsidiaries, whether or not such person is purporting to act on behalf of the Company or any of its subsidiaries or otherwise, shall be deemed to be a breach of this Section 5.02(a) by the Company. For purposes of this Agreement, "takeover proposal" means any proposal or offer from any person relating to any direct or indirect acquisition or purchase of a material amount of assets of the Company or any of its subsidiaries or of over 20% of any class of equity securities (other than acquisitions of stock by institutional investors in the ordinary course of business) of the Company or any of its subsidiaries or any tender offer or exchange offer that if consummated would result in any person beneficially owning 20% or more of any class of equity securities of the Company or any of its subsidiaries or which would require approval under any Gaming Law, or any merger, consolidation, business combination, sale of substantially all assets, recapitalization, liquidation, dissolution or similar transaction involving the Company or any of its subsidiaries other than the transactions contemplated by this Agreement, or any other transaction the consummation of which would reasonably be expected to impede, interfere with, prevent or materially delay the Offer or the Merger or which would reasonably be expected to dilute materially the benefits to Parent of the transactions contemplated hereby.

(b) Except as set forth in this Section 5.02(b), neither the Board of Directors of the Company nor any committee thereof shall (i) withdraw or modify, or propose to withdraw or modify, in a manner adverse to Parent or Sub, the approval or recommendation by such Board of Directors or any such committee of the Offer, this Agreement or the

Merger, (ii) approve or recommend, or propose to approve or recommend, any takeover proposal or (iii) enter into any agreement with respect to any takeover proposal. Notwithstanding the foregoing, in the event prior to the time of acceptance for payment of shares of Company Common Stock in the Offer if in the opinion of the Board of Directors, after consultation with counsel, failure to do so would be inconsistent with its fiduciary duties to the Company's stockholders under applicable law, the Board of Directors may (subject to the terms of this and the following sentences) withdraw or modify its approval or recommendation of the Offer, this Agreement or the Merger, approve or recommend a competitive proposal, or enter into an agreement with respect to a competitive proposal, in each case at any time after the second business day following Parent's receipt of written notice (a "Notice of Competitive Proposal") advising Parent that the Board of Directors has received a competitive proposal, specifying the material terms and conditions of such competitive proposal and identifying the person making such competitive proposal; provided that the
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Company shall not enter into an agreement with respect to a competitive proposal unless the Company shall have furnished Parent with written notice no later than 12:00 noon two business days in advance of any date that it intends to enter into such agreement. In addition, if the Company proposes to enter into an agreement with respect to any takeover proposal, it shall concurrently with entering into such agreement pay, or cause to be paid, to Parent the Expenses (as defined in Section 6.07(b)) and the Termination Fee (as defined in Section 6.07(b)). For purposes of this Agreement, a "competitive proposal" means any bona fide take-over proposal to acquire, directly or indirectly, for consideration consisting of cash and/or securities, more than 50% of the shares of Company Common Stock then outstanding or all or substantially all the assets of the Company and otherwise on terms which the Board of Directors of the Company determines in its good faith judgment to be more favorable to the Company's stockholders than the Offer and the Merger (taking into account any improvements to the Offer and the Merger proposed by Parent).

(c) In addition to the obligations of the Company set forth in paragraph (b), the Company shall advise Parent of any request for information or of any takeover proposal, or any proposal with respect to any takeover proposal, the material terms and conditions of such request or takeover proposal, and the identity of the person making any such

takeover proposal or inquiry. The Company will keep Parent fully informed of the status and details (including amendments or proposed amendments) of any such request, takeover proposal or inquiry.

(d) Nothing contained in this Section 5.02 shall prohibit the Company from taking and disclosing to its stockholders a position contemplated by Rule 14e-2(a) promulgated under the Exchange Act or from making any disclosure to the Company's stockholders if, in the opinion of the Board of Directors of the Company, after consultation with counsel, failure to so disclose would be inconsistent with its fiduciary duties to the Company's stockholders under applicable law; provided that the Company does not, except as permitted by Section 5.02(b) withdraw or modify, or propose to withdraw or modify, its position with respect to the Offer or the Merger or approve or recommend, or propose to approve or recommend, a takeover proposal.

SECTION 5.03. New Jersey Trust. In connection with the application for qualification and licensing by Parent with the New Jersey Casino Control Commission pursuant to the New Jersey Casino Control Act and the rules and regulations promulgated thereunder, if requested by Parent, the Company shall execute and deliver a trust agreement prepared by Parent and reasonably acceptable to the Company and the New Jersey Casino Control Commission and complying with the requirements of the New Jersey Casino Control Act and the rules and regulations promulgated thereunder. Not later than the Expiration Date of the Offer, if requested by Parent, the Company shall deposit all shares of Caesars New Jersey, Inc. in trust with a trustee qualified by and otherwise acceptable to the New Jersey Casino Control Commission pursuant to such trust agreement, all for the purpose of permitting Parent and Sub to hold directly (and not in trust) the shares of Company Common Stock currently owned by Parent or its affiliates to be acquired pursuant to the Offer, the Option or the Merger while Parent's application for qualification and licensing is pending with the New Jersey Casino Control Commission.

ARTICLE VI

ADDITIONAL AGREEMENTS

SECTION 6.01. Stockholder Meeting; Preparation of the Proxy Statement.

(a) The Company will, as soon as practicable following the acceptance for payment of, and payment for, shares of Company Common Stock by Sub pursuant to the Offer, duly call, give notice of, convene and hold a meeting of the holders of the Company Common Stock (the "Stockholders Meeting") if such meeting is required by applicable law for the purpose of approving this Agreement and the transactions contemplated by this Agreement. Subject to the provisions of Section 5.02(b), the Company will, through its Board of Directors, recommend to its stockholders approval of this Agreement, the Merger and the other transactions contemplated by this Agreement. At the Stockholders Meeting, Parent shall cause all of the shares of Company Common Stock then actually or beneficially owned by Parent, Sub or any of their subsidiaries to be voted in favor of the Merger. Notwithstanding the foregoing, if Sub or any other subsidiary of Parent shall acquire at least 80% of the outstanding shares of Company Common Stock, the parties shall, at the request of Parent, take all necessary and appropriate action to cause the Merger to become effective as soon as practicable after the expiration of the Offer without a Stockholders Meeting in accordance with Section 607.1104 and other applicable provisions of the FBCA.

(b) The Company will, at Parent's request, as soon as practicable following the expiration of the Offer, prepare and file a preliminary Proxy Statement with the SEC and will use its best efforts to respond to any comments of the SEC or its staff and to cause the Proxy Statement to be mailed to the Company's stockholders as promptly as practicable after responding to all such comments to the satisfaction of the staff. The Proxy Statement shall comply as to form in all material respects with the Exchange Act and the rules and regulations promulgated thereunder and the Proxy Statement, on the date first mailed to the Company's stockholders and at the time of the Stockholders Meeting held to vote on approval and adoption of this Agreement, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation is made

by the Company with respect to information supplied by Parent or Sub for inclusion or incorporation by reference in the Proxy Statement. The Company will notify Parent promptly of the receipt of any comments from the SEC or its staff and of any request by the SEC or its staff for amendments or supplements to the Proxy Statement or for additional information and will supply Parent with copies of all correspondence between the Company or any of its representatives, on the one hand, and the SEC or its staff, on the other hand, with respect to the Proxy Statement or the Merger. If at any time prior to the Stockholders Meeting there shall occur any event that should be set forth in an amendment or supplement to the Proxy Statement, the Company will promptly prepare and mail to its stockholders such an amendment or supplement. The Company will not file or mail any Proxy Statement, or any amendment or supplement thereto, to which Parent reasonably objects.

SECTION 6.02. Access to Information; Confidentiality. Subject to
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legal and contractual confidentiality obligations and the attorney-client privilege, the Company shall afford to Parent, and to Parent's officers, employees, accountants, counsel, financial advisers and other representatives, reasonable access during normal business hours during the period prior to the Effective Time to all the properties, books, contracts, commitments and records of the Company and its subsidiaries and, during such period, the Company shall furnish promptly to Parent (a) a copy of each report, schedule, registration statement and other document filed by it or its subsidiaries during such period pursuant to the requirements of Federal or state securities laws and (b) all other information concerning its or its subsidiaries' business, properties and personnel as Parent may reasonably request. Except as otherwise agreed to by the Company, unless and until Parent and Sub shall have purchased at least a majority of the outstanding shares of Company Common Stock pursuant to the Offer, and notwithstanding termination of this Agreement, Parent will keep, and will cause its officers, employees, accountants, counsel, financial advisers and other representatives and affiliates to keep, all Confidential Information (as defined below) confidential and not to disclose any Confidential Information to any person other than Parent's or Sub's directors, officers, employees, affiliates or agents, and then only on a confidential basis; provided, however,
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that Parent or Sub may disclose Confidential Information (i) as required by law, rule, regulation or judicial process, including as required to be disclosed in connection with the

Offer and the Merger, (ii) to its attorneys, accountants and financial advisors or (iii) as requested or required by any Governmental Entity. For purposes of this Agreement, "Confidential Information" shall include all information about the Company which has been furnished by the Company to Parent or Sub; provided, however, that Confidential Information does not include information which (x) is or becomes generally available to the public other than as a result of a disclosure by Parent or Sub not permitted by this Agreement, (y) was available to Parent or Sub on a non-confidential basis prior to its disclosure to Parent or Sub by the Company or (z) becomes available to Parent or Sub on a non-confidential basis from a person other than the Company who, to the knowledge of Parent or Sub, as the case may be, is not otherwise bound by a confidentiality agreement with the Company or is not otherwise prohibited from transmitting the relevant information to Parent or Sub. Neither Parent nor any of its affiliates will use any Confidential Information in any manner detrimental to the Company or the shareholders of the Company and, in the event of termination of this Agreement for any reason, Parent shall, and shall cause Sub to, promptly return all Confidential Information to the Company. Until Parent and Sub shall have purchased at least a majority of the outstanding shares of Company Common Stock, the first sentence of this Section 6.02 shall not obligate the Company to afford to Parent or Parent's officers, employees, accountants, counsel, financial advisers and other representatives access to (i) personnel of the Company's subsidiaries and (ii) competitively sensitive information that could assist Parent in diverting business opportunities from the Company, including customer information and identities, representatives lists, customer solicitation methods and other similar information.

SECTION 6.03. Reasonable Efforts; Notification. (a) Upon the terms and subject to the conditions set forth in this Agreement, each of the parties agrees to use all reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the Offer and the Merger, and the other transactions contemplated by this Agreement, including (i) the obtaining of all necessary actions or nonactions, waivers, consents and approvals from Governmental Entities and the making of all necessary registrations and filings (including filings with Governmental

Entities, if any) and the taking of all reasonable steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any Governmental Entity (including in respect of any Gaming Law), (ii) the obtaining of all necessary consents, approvals or waivers from third parties, (iii) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement or the consummation of any of the transactions contemplated by this Agreement, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Entity vacated or reversed and (iv) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement. In connection with and without limiting the foregoing, the Company and its Board of Directors shall (i) take all action necessary to ensure that no state takeover statute or similar statute or regulation is or becomes applicable to the Offer, the Merger, this Agreement or any of the other transactions contemplated by this Agreement and (ii) if any state takeover statute or similar statute or regulation becomes applicable to the Offer, the Merger, this Agreement or the Option Agreement or any other transaction contemplated by this Agreement or the Option Agreement, take all action necessary to ensure that the Offer, the Merger and the other transactions contemplated by this Agreement or the Option Agreement may be consummated as promptly as practicable on the terms contemplated by this Agreement and the Option Agreement and otherwise to minimize the effect of such statute or regulation on the Offer, the Merger, this Agreement, the Option Agreement and the other transactions contemplated by this Agreement and the Option Agreement.

(b) The Company shall give prompt notice to Parent of (i) any representation or warranty made by it contained in this Agreement that is qualified as to materiality becoming untrue or inaccurate in any respect (including in the case of representations or warranties by the Company, the Company or Parent receiving knowledge of any fact, event or circumstance which may cause any representation qualified as to the knowledge of the Company to be or become untrue or inaccurate in any respect) or (ii) the failure by it to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under this Agreement; provided, however, that no such notification shall affect the representations, warranties, covenants or agreements of the parties or the conditions to the obligations of the parties under this Agreement. The

Company acknowledges that if after the date of this Agreement the Company or Parent receives knowledge of any fact, event or circumstance that would cause any representation or warranty that is conditioned as to the knowledge of the Company to be or become untrue or inaccurate in any respect, the receipt of such knowledge shall constitute a breach of the representation or warranty that is so conditioned as of the date of such receipt.

SECTION 6.04. Stock Option Plans. (a) As soon as practicable following the date of this Agreement, the Board of Directors of the Company (or, if appropriate, any committee administering the Stock Option Plans (as defined below)) shall adopt such resolutions or use its best efforts to take such other actions as are required to provide that (i) each outstanding stock option to purchase shares of Company Common Stock (a "Stock Option") heretofore granted under any stock option, stock appreciation rights or stock purchase plan, program or arrangement or other option agreement or contingent stock grant plan of the Company (collectively, the "Stock Option Plans") outstanding shall be accelerated to be fully exercisable prior to the consummation of the Offer, and the Company shall use its best efforts to assure that any such Stock Options outstanding immediately prior to the consummation of the Offer (except options granted to non-employee directors of the Company as of December 8, 1994) shall be cancelled immediately prior to the consummation of the Offer in exchange for an amount in cash, payable at the time of such cancellation, equal to the product of (y) the number of shares of Company Common Stock subject to such Stock Option immediately prior to the consummation of the Offer and (z) the excess of the price per share to be paid in the Offer over the per share exercise price of such Stock Option, (ii) each stock appreciation right ("SAR") granted under the Stock Option Plans outstanding immediately prior to the consummation of the Offer shall be cancelled immediately prior to the consummation of the Offer in exchange for an amount of cash, payable at the time of such cancellation, equal to the product of (y) the number of shares of Company Common Stock covered by such SAR and (z) the excess of the price per share to be paid in the Offer over the appreciation base per share of such SAR; provided, however, that no such cash payment shall be made with respect to any SAR which is related to a Stock Option with respect to which such a cash payment has been made and (iii) each share of Company Common Stock previously issued in the form of grants of restricted stock or grants of

contingent shares shall fully vest in accordance with their respective terms. Any Stock Option or SAR not cancelled in accordance with this paragraph (a) immediately prior to the consummation of the Offer, shall be cancelled at the Effective Time in exchange for an amount in cash, payable at the Effective Time, equal to the amount which would have been paid had such Stock Option or SAR been cancelled immediately prior to the consummation of the Offer. A listing of all outstanding Stock Options as of December 16, 1994, showing what portions of such Stock Options are exercisable as of such date, the dates upon which such Stock Options expire, and the exercise price of such Stock Options, is set forth in Schedule 6.04.

(b) All Stock Option Plans shall terminate as of the Effective Time and the provisions in any other Benefit Plan providing for the issuance, transfer or grant of any capital stock of the Company or any interest in respect of any capital stock of the Company shall be deleted as of the Effective Time, and the Company shall use its best efforts to ensure that following the Effective Time no holder of a Stock Option or any participant in any Stock Option Plan shall have any right thereunder to acquire any capital stock of the Company, Parent or the Surviving Corporation, except as provided in Section 6.04(a).

(c) Parent and Sub agree that the Company, in its sole discretion, may defer the lapsing of restrictions on some or all of the restricted shares of Company Common Stock granted under the Company's employee stock plans which might otherwise occur upon the consummation of the Offer to the day immediately following the consummation of the Offer or to accelerate such restricted stock to provide sufficient time for the tender thereof into the Offer.

SECTION 6.05. Indemnification and Insurance. (a) The
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indemnification obligations set forth in the Company's Amended and Restated Articles of Incorporation and by-laws on the date of this Agreement shall survive the Merger and shall not be amended, repealed or otherwise modified for a period of six years after the Effective Time in any manner that would adversely affect the rights thereunder of individuals who on or prior to the Effective Time were directors, officers, employees or agents of the Company (the "Indemnified Parties").

(b) For six years from the Effective Time, the Surviving Corporation shall, unless Parent agrees in writing

to guarantee the indemnification obligations set forth in Section 6.05(a), either (x) maintain in effect the Company's current directors' and officers' liability insurance covering those persons who are covered on the date of this Agreement by the Company's directors' and officers' liability insurance policy (a copy of which will be made available to Parent); provided, however, that in no event shall the Surviving Corporation be required to expend in any one year an amount in excess of 150% of the annual premiums currently paid by the Company for such insurance which the Company represents to be $795,000 for the twelve-month period ended March 17, 1995; and, provided, further, that if the annual premiums of such insurance coverage exceed such amount, the Surviving Corporation shall be obligated to obtain a policy with the greatest coverage available for a cost not exceeding such amount or (y) cause the Parent's directors' and officers' liability insurance then in effect to cover those persons who are covered on the date of this Agreement by the Company's directors' and officers' liability insurance policy with respect to those matters covered by the Company's directors' and officers' liability policy.

(c) This Section 6.05 shall survive the consummation of the Merger at the Effective Time, is intended to benefit the Company, Parent, the Surviving Corporation and the Indemnified Parties, and shall be binding on all successors and assigns of Parent and the Surviving Corporation.

SECTION 6.06. Directors. Promptly upon the acceptance for payment of, and payment for, any shares of Company Common Stock by Sub pursuant to the Offer, Sub shall be entitled to designate such number of directors on the Board of Directors of the Company as will give Sub, subject to compliance with Section 14(f) of the Exchange Act, control of a majority of such directors, and the Company and its Board of Directors shall, at such time, take any and all such action needed to cause Sub's designees to be appointed to the Company's Board of Directors (including to cause directors to resign). Subject to applicable law, the Company shall take all action requested by Parent which is reasonably necessary to effect any such election, including mailing to its stockholders the Information Statement containing the information required by Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder, and the Company agrees to make such mailing with the mailing of the Schedule 14D-9 so long as Sub shall have provided to the

Company on a timely basis all information required to be included in the Information Statement with respect to Sub's designees.

SECTION 6.07. Fees and Expenses. (a) Except as provided below, all fees and expenses incurred in connection with the Offer, the Merger, this Agreement and the transactions contemplated hereby shall be paid by the party incurring such fees or expenses, whether or not the Offer or the Merger is consummated.

(b) The Company shall pay, or cause to be paid, in same day funds to Parent the sum of (x) all of Parent's reasonably documented out-of-pocket expenses in an amount up to but not to exceed $10,000,000 (the "Expenses") and (y) $50,000,000 (the "Termination Fee") upon demand if (i) Parent or Sub terminates this Agreement under Section 8.01(e); provided, however, that Parent shall be entitled to only the Expenses where Parent or Sub terminates this Agreement under Section 8.01(e) as a result of the occurrence of any event set forth in clause (i) of paragraph (d) of Exhibit A or, as it relates to clause (i) of paragraph (d) of Exhibit A, clause (iii) of such paragraph (d); provided further, however, that, if the Agreement is terminated as contemplated by the immediately preceding proviso and the Company subsequently consummates or enters into an agreement relating to a competitive proposal within 12 months of such termination, the Company shall also pay to Parent the Termination Fee, (ii) the Company terminates this Agreement pursuant to Section 8.01(f) or (iii) prior to any termination of this Agreement, a takeover proposal shall have been made and within 12 months of such termination, a transaction constituting a takeover proposal is consummated or the Company enters into an agreement with respect to, or approves or recommends a takeover proposal. The amount of Expenses so payable shall be the amount set forth in an estimate delivered by Parent, subject to upward or downward adjustment (not to be in excess of the amount set forth in clause (x) above) upon delivery of reasonable documentation therefor.

SECTION 6.08. Public Announcements. Parent and Sub, on the one hand, and the Company, on the other hand, will consult with each other before issuing, and provide each other the opportunity to review and comment upon, any press release or other public statements with respect to the transactions contemplated by this Agreement, including the

Offer and the Merger, and shall not issue any such press release or make any such public statement prior to such consultation, except as may be required by applicable law, court process or by obligations pursuant to any listing agreement with any national securities exchange or national securities quotation system. The parties agree that the initial press release to be issued with respect to the transactions contemplated by this Agreement shall be in the form heretofore agreed to by the parties.

SECTION 6.09. Rights Agreement. The Board of Directors of the Company shall take all further action (in addition to that referred to in Section 4.01(p)) reasonably requested in writing by Parent in order to render the Rights or any similar instrument inapplicable to the Offer, the Merger, the Option Agreement and the other transactions contemplated by this Agreement. Except as requested in writing by Parent, during the term of this Agreement, the Board of Directors of the Company shall not (i) amend the Rights Agreement or (ii) take any action with respect to, or make any determination under, the Rights Agreement (including a redemption of the Rights) including any action to facilitate a takeover proposal; provided that any of such actions may be taken simultaneously with entering into an agreement pursuant to Section 5.02(b).

SECTION 6.10. Benefit Plans. (a) Parent shall cause the Surviving Corporation to take such actions as are necessary so that, for a period of not less than one year after the Effective Time, nonunion employees of the Company and its subsidiaries who continue their employment after the Effective Time will be provided employee compensation and other benefits which in the aggregate are at least generally comparable to those provided to such employees as of the date hereof; provided, that it is understood that after the Effective Time, subject to the provisions of Section 6.10(d), (e) and (f) hereof and to the last sentence of this Section 6.10(a), (x) neither Parent nor the Surviving Corporation will have any obligation to issue or adopt any plans or arrangements to provide for the issuance of shares of capital stock, warrants, options, stock appreciation rights or other rights in respect of any shares of capital stock of any entity or any securities convertible or exchangeable into such shares pursuant to any such plan or program, (y) nothing herein shall require the Surviving Corporation to maintain any particular plan or arrangement and (z) nothing herein shall prevent or preclude the Surviving Corporation from continuing any requirements for

employee contributions under any employee benefit plans in the same proportions as the employee-paid portion under such plans constituted prior to the Effective Time. Parent, Sub and the Company agree that, prior to the acquisition of shares of Company Common Stock pursuant to the Offer, Parent and the Company will enter into revised employment agreements with the Chief Executive Officer and President of the Company in the respective forms of agreements set forth in Schedule 6.10(a) hereto.

(b) It is Parent's current intention that, following the first anniversary of the Effective Time, Parent will provide employee compensation and other benefits for employees of the Company and its subsidiaries which are at least generally comparable in the aggregate to the employee compensation and other benefits for other employees of Parent and its subsidiaries.

(c) Parent will cause the Surviving Corporation to recognize all service credited to each such employee by the Company through the Effective Time for purposes of eligibility (including for enhanced vacation) and vesting under any employee benefit plan provided by the Surviving Corporation for the benefit of such employees.

(d) Nothing in this Section 6.10 is intended to cancel or modify any obligations of the Company which by their terms and applicable law extend beyond the Effective Time. It is understood, however, that Stock Options, stock appreciation rights and restricted and contingent stock will be dealt with in accordance with Section 3.01(c) hereof and Section 6.04 hereof.

(e) The Company's two Executive Security Plans shall remain in effect until one year after the Effective Time (for all purposes, including, without limitation, benefit accrual), but there shall be no obligation on the Parent, Sub or the Surviving Corporation to add new participants to such plans following the Effective Time. It is understood that the 1985 Executive Security Plan provides an offset for the actuarial equivalent of amounts received from any other pension plan adopted by the Company (which would include the Parent's tax-qualified pension plan if it were adopted by the Company). It is agreed among the parties that the Company may, in its discretion, amend such offset so that it does not apply to the Company's 401(k) Retirement Savings Plan. This Section 6.10(e) shall not be

deemed to require any duplication of benefits provided by such Executive Security Plans and any other pension plans.

(f) In calculating the annual bonus under the Company's Senior Officers Combined Incentive Plan and Corporate Officers and Key Corporate Personnel Plan for the current fiscal year of the Company, charges or equity adjustments related to or arising from the transactions contemplated by this Agreement, including with respect to the lapsing of restrictions on restricted shares of Company Common Stock, shall not be taken into account in computing "Plan Income" and "Plan Net Worth", as defined in such plans. This Section 6.10(f) shall not be deemed to indicate any commitment to continuing such plans beyond the Effective Time. The principles stated in the immediately preceding sentence shall be applied equitably, as between the Company and the Parent, with respect to both Plan Income and Plan Net Worth.

SECTION 6.11. Title Policies. The Company agrees that, prior to the consummation of the Offer, it will use its reasonable efforts to cause such officers of the Company and its Significant Subsidiaries, as Parent's or Sub's Title Insurer may reasonably require, to execute such reasonable and customary affidavits as shall permit such Title Insurer to issue an endorsement to its title insurance policies insuring title to the real properties owned or leased by the Company or any of its Significant Subsidiaries to the effect that the Title Insurer will not claim as a defense under any such policy failure of insured to disclose to the Title Insurer prior to the date of the relevant policy any defects, liens, encumbrances or adverse claims not shown by public records and known to the insured (but not known to Parent or Sub) prior to the Effective Time.

SECTION 6.12. Transfer Taxes. All liability for transfer or other similar taxes arising out of or related to the sale of the Company Common Stock to the Sub, or the consummation of any other transaction contemplated by this Agreement, and due to the property owned by the Company or any of its subsidiaries or affiliates ("Transfer Taxes") shall be borne by the Company, and the Company shall file or cause to be filed all returns relating to such Transfer Taxes which are due, and, to the extent appropriate or required by law, the stockholders of the Company shall cooperate with respect to the filing of such returns.

SECTION 6.13. Regulatory Matters. In connection with subsection (i) of the first sentence of Section 6.03(a), Parent shall, and shall cause its subsidiaries to (and shall use its reasonable efforts to cause its affiliates other than subsidiaries to), if it is necessary to obtain any regulatory approval for this Agreement, disassociate themselves from any person or persons deemed, or reasonably likely to be deemed, unacceptable by a Governmental Entity with authority to administer Gaming Laws and, in the case of any such person who is a nominee to serve as a director of Parent or any subsidiary of Parent, Parent shall, and shall cause the relevant subsidiary or subsidiaries to, replace any such director nominee with a suitable substitute nominee. In connection with subsection (i) of the first sentence of Section 6.03(a), Parent agrees that it shall use its reasonable efforts to cause the trust arrangements described in either clause (iii)(B)(x) or (iii)(B)(y) of the first paragraph of Exhibit A to be in full force and effect and further agrees that, if the requisite approvals are obtained from the New Jersey Casino Control Commission, it will place shares of Company Common Stock or shares of common stock of Caesars New Jersey, Inc., as applicable, in trust as contemplated by such clauses.

ARTICLE VII

CONDITIONS PRECEDENT

SECTION 7.01. Conditions to Each Party's Obligation To Effect the Merger. The respective obligation of each party to effect the Merger is subject to the satisfaction or waiver on or prior to the Closing Date of the following conditions:

(a) Stockholder Approval. If required by applicable law, this Agreement shall have been approved and adopted by the affirmative vote of the holders of a majority of all shares of Company Common Stock entitled to be cast in accordance with applicable law and the Company's Amended and Restated Articles of Incorporation; provided that Parent and Sub shall vote all their shares of Company Common Stock in favor of the Merger.

(b) No Injunctions or Restraints. No statute, rule, regulation, executive order, decree, temporary

restraining order, preliminary or permanent injunction or other order enacted, entered, promulgated, enforced or issued by any Governmental Entity or other legal restraint or prohibition preventing the consummation of the Merger or the transactions contemplated thereby shall be in effect; provided, however, that, in the case of a decree, injunction or other order, each of the parties shall have used reasonable efforts to prevent the entry of any such injunction or other order and to appeal as promptly as possible any decree, injunction or other order that may be entered.

(c) Purchase of Shares of Company Common Stock. Sub shall have previously accepted for payment and paid for shares of Company Common Stock pursuant to the Offer.

SECTION 7.02. Condition to Obligations of Parent and Sub. The obligations of Parent and Sub to effect the Merger are further subject to the condition that all Stock Options and all SARs shall have been cancelled.

ARTICLE VIII

TERMINATION, AMENDMENT AND WAIVER

SECTION 8.01. Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of matters presented in connection with the Merger by the stockholders of the Company:

(a) by mutual written consent of Parent and the Company;

(b) by either Parent or the Company if (i) as a result of the failure, occurrence or existence of any of the conditions set forth in Exhibit A to this Agreement the Offer shall have terminated or expired in accordance with its terms without Sub having accepted for payment any shares of Company Common Stock pursuant to the Offer or (ii) Sub shall not have accepted for payment any shares of Company Common Stock pursuant to the Offer by June 19, 1995; provided, however, that the right to terminate this Agreement pursuant to this Section 8.01(b) shall not be available to either party if its failure to perform any of its obligations under

this Agreement results in the failure, occurrence or existence of any such condition;

(c) by either Parent or the Company if any Governmental Entity shall have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the acceptance for payment of, or payment for, shares of Company Common Stock pursuant to the Offer or the Merger and such order, decree or ruling or other action shall have become final and nonappealable;

(d) by Parent or Sub prior to the purchase of shares of Company Common Stock pursuant to the Offer in the event of a breach by the Company of any representation, warranty, covenant or other agreement contained in this Agreement which (A) would give rise to the failure of a condition set forth in paragraph (e) or (f) of Exhibit A and (B) cannot be or has not been cured within 20 days after the giving of written notice to the Company;

(e) by Parent or Sub if either Parent or Sub is entitled to terminate the Offer as a result of the occurrence of any event set forth in paragraph (d) of Exhibit A to this Agreement;

(f) by the Company in connection with entering into a definitive agreement in accordance with Section 5.02(b), provided it has complied with all provisions thereof, including the notice provisions therein, and that it makes simultaneous payment of the Expenses and the Termination Fee; or

(g) by the Company, if Sub or Parent shall have breached in any material respect any of their respective representations, warranties, covenants or other agreements contained in this Agreement, which failure to perform is incapable of being cured or has not been cured within 20 days after the giving of written notice to Parent or Sub, as applicable, except, in any case, such failures which are not reasonably likely to affect adversely Parent's or Sub's ability to complete the Offer or the Merger.

SECTION 8.02. Effect of Termination. In the event of termination of this Agreement by either the Company or Parent as provided in Section 8.01, this Agreement shall

forthwith become void and have no effect, without any liability or obligation on the part of Parent, Sub or the Company, other than the provisions of Section 4.01(q), Section 4.02(d), the last four sentences of Section 6.02, Section 6.07, this Section 8.02 and Article IX and except to the extent that such termination results from the wilful and material breach by a party of any of its representations, warranties, covenants or agreements set forth in this Agreement.

SECTION 8.03. Amendment. This Agreement may be amended by the parties at any time before or after any required approval of matters presented in connection with the Merger by the stockholders of the Company; provided, however, that after any such approval, there shall not be made any amendment that by law requires further approval by such stockholders without the further approval of such stockholders. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

SECTION 8.04. Extension; Waiver. At any time prior to the Effective Time, the parties may (a) extend the time for the performance of any of the obligations or other acts of the other parties, (b) waive any inaccuracies in the representations and warranties contained in this Agreement or in any document delivered pursuant to this Agreement or (c) subject to the proviso of Section 8.03, waive compliance with any of the agreements or conditions contained in this Agreement. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights.

SECTION 8.05. Procedure for Termination, Amendment, Extension or Waiver. A termination of this Agreement pursuant to Section 8.01, an amendment of this Agreement pursuant to Section 8.03 or an extension or waiver pursuant to Section 8.04 shall, in order to be effective, require in the case of Parent, Sub or the Company, action by its Board of Directors or the duly authorized designee of its Board of Directors; provided, however, that in the event that Sub's designees are appointed or elected to the Board of Directors of the Company as provided in Section 6.06, after the acceptance for payment of shares of Company Common Stock pursuant to the Offer and prior to the Effective Time, the

affirmative vote of a majority of the directors of the Company that were not designated by Parent or Sub shall be required by the Company to (i) amend or terminate this Agreement by the Company, (ii) exercise or waive any of the Company's rights or remedies under this Agreement, (iii) extend the time for performance of Parent's and Sub's respective obligations under this Agreement or (iv) take any action to amend or otherwise modify the Company's Amended and Restated Articles of Incorporation or By-laws.

ARTICLE IX

GENERAL PROVISIONS

SECTION 9.01. Nonsurvival of Representations. None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time or, in the case of the Company, shall survive the acceptance for payment of, and payment for, shares of Company Common Stock by Sub pursuant to the Offer. This Section 9.01 shall not limit any covenant or agreement of the parties which by its terms contemplates performance after the Effective Time of the Merger.

SECTION 9.02. Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed given if delivered personally or sent by overnight courier (providing proof of delivery) to the parties at the following addresses

(or at such other address for a party as shall be specified by like notice):

(a) if to Parent or Sub, to:

ITT Corporation
1330 Avenue of the Americas
New York, NY 10019
Facsimile: (212) 258-1037

Attention: Richard S. Ward, Esq.

with copies to:

Cravath, Swaine & Moore
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019
Facsimile: (212) 765-1072

Attention: Philip A. Gelston, Esq.

(b) if to the Company, to

Caesars World, Inc.
1801 Century Park East
Los Angeles, California 90067

Facsimile: (310) 552-9254

Attention: Philip L. Ball, Esq.

with copies to:

Skadden, Arps, Slate, Meagher & Flom
919 Third Avenue
New York, NY 10022
Facsimile: (212) 735-2000

Attention: Morris J. Kramer, Esq.

SECTION 9.03. Definitions. For purposes of this Agreement:

(a) an "affiliate" of any person means another person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first person;

(b) "competitive proposal" has the meaning assigned thereto in Section 5.02(b);

(c) "indebtedness" means, with respect to any person, without duplication, (A) all obligations of such person for borrowed money, or with respect to deposits or advances of any kind, (B) all obligations of such person evidenced by bonds, debentures, notes or similar instruments, (C) all obligations of such person upon which interest charges are customarily paid (other than trade payables incurred in the ordinary course of

business), (D) all obligations of such person under conditional sale or other title retention agreements relating to property purchased by such person, (E) all obligations of such person issued or assumed as the deferred purchase price of property or services (excluding obligations of such person to creditors for raw materials, inventory, services and supplies incurred in the ordinary course of such person's business), (F) all lease obligations of such person capitalized on the books and records of such person, (G) all obligations of others secured by any lien on property or assets owned or acquired by such person, whether or not the obligations secured thereby have been assumed, (H) all obligations of such person under interest rate, or currency or commodity hedging, swap or similar derivative transactions (valued at the termination value thereof), (I) all letters of credit issued for the account of such person (excluding letters of credit issued for the benefit of suppliers or lessors to support accounts payable to suppliers incurred in the ordinary course of business) and (J) all guarantees and arrangements having the economic effect of a guarantee of such person of any indebtedness of any other person.

(d) "knowledge" of the Company means, in each case in this Agreement, any Schedule hereto or any certificate delivered pursuant hereto in which the Company makes a representation or warranty based on the "knowledge" of the Company, the Company represents and warrants only as to the actual knowledge of the Chairman of the Board, the Chief Financial Officer, the General Counsel and the President of the Company.

(e) "lien" means any conditional sale agreement, default of title, easement, encroachment, encumbrance, hypothecation, infringement, lien, mortgage, pledge, reservation, restriction, security interest, title retention or other security arrangement, or any adverse right or interest, charge or claim of any nature whatsoever of, on, or with respect to any asset, property or property interest; provided, however, that the term
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"lien" shall not include (i) liens for water and sewer charges and current taxes not yet due and payable or being contested in good faith, (ii) mechanics', carriers', workers', repairers', materialmens', warehousemens' and other similar liens arising or incurred in the ordinary course of business

or (iii) all liens approved in writing by the other party hereto.

(f) "material adverse change" or "material adverse effect" means, when used in connection with the Company or Parent, any change or effect (or any development that, insofar as can reasonably be foreseen, is likely to result in any change or effect) that is materially adverse to the business, properties, assets, financial condition or results of operations of such party and its subsidiaries, taken as a whole, except that (i) fluctuations in the earnings or financial condition of the Company during the period from October 31, 1994 to consummation of the Offer that result from winnings by high-wagering customers so long as the Company has been operating on a basis consistent with its existing policies concerning extensions of credit and setting of gambling limits and so long as the aggregate levels of wagering by high-wagering customers are consistent with the past experience of the Company, (ii) any material adverse effect resulting, directly or indirectly, from the prospective ownership of Company Common Stock by Parent or its affiliates, or (iii) any change which adversely affects the gaming industry in Nevada or the gaming industry in New Jersey, shall not be deemed to be a "material adverse change" or a "material adverse effect";

(g) "ordinary course of business", when used with respect to the Company, in addition to its usual and customary meaning, shall be deemed to include transactions in the ordinary course of business consistent with prior practice pertaining to currently ongoing business development and managerial activities, including activities conducted or proposed to be conducted in the jurisdictions set forth in Schedule 9.03(g), so long as the scope and nature of such business development and managerial activities are consistent with the Company's past practice.

(h) "person" means an individual, corporation, partnership, joint venture, association, trust, unincorporated organization or other entity;

(i) a "subsidiary" of any person means another person, an amount of the voting securities, other voting ownership or voting partnership interests of which is sufficient to elect at least a majority of its

Board of Directors or other governing body (or, if there are no such voting interests, 50% or more of the equity interests of which) is owned directly or indirectly by such first person; and

(j) "takeover proposal" has the meaning assigned thereto in Section 5.02(a).

SECTION 9.04. Interpretation. When a reference is made in this Agreement to a Section, Exhibit or Schedule, such reference shall be to a Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". The Option Agreement and the consummation of the transactions contemplated by such Option Agreement are transactions contemplated by this Agreement. To the extent any restriction on the activities of the Company or its subsidiaries under the terms of this Agreement, including with respect to any negative pledge or other restriction on the ability of the Company to dispose of stock of any Nevada subsidiary, requires prior approval under any Gaming Law, such restriction shall be of no force or effect unless and until such approval is obtained. If any provision of this Agreement is illegal or unenforceable under any Gaming Law, such provision shall be void and of no force or effect.

SECTION 9.05. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

SECTION 9.06. Entire Agreement; No Third-Party Beneficiaries. This Agreement and the Option Agreement constitute the entire agreements, and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of these agreements and, except for the provisions of Article III, the last sentence of Section 6.10(a) and Sections 6.04 and 6.05, are not intended to confer upon any person other than the parties any rights or remedies hereunder.

SECTION 9.07. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY APPLICABLE CONFLICTS OF LAW, EXCEPT TO THE EXTENT THE FBCA SHALL BE HELD TO GOVERN THE TERMS OF THE MERGER.

SECTION 9.08. Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise by any of the parties without the prior written consent of the other parties, except that Sub may assign, in its sole discretion, any of or all its rights, interests and obligations under this Agreement to Parent or to any direct or indirect wholly owned subsidiary of Parent, but no such assignment shall relieve Sub of any of its obligations under this Agreement. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

SECTION 9.09. Enforcement. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of the United States located in the State of New York or California or in New York or California state court, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any Federal court located in the State of New York or California or any New York or California state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions

contemplated by this Agreement in any court other than a Federal or state court sitting in the State of New York or California.

IN WITNESS WHEREOF, Parent, Sub and the Company have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

ITT CORPORATION,

by
/s/ Richard S. Ward

Name: Richard S. Ward
Title: Executive V.P.,
General Counsel

ITT FLORIDA ENTERPRISES INC.,

by
/s/ Richard S. Ward

Name: Richard S. Ward
Title: Executive V.P.,
General Counsel

CAESARS WORLD, INC.,

by
/s/ Roger Lee

Name: Roger Lee
Title: Senior Vice
President, Finance
& Administration

EXHIBIT A

CONDITIONS OF THE OFFER

Notwithstanding any other term of the Offer or this Agreement, Sub shall not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to Sub's obligation to pay for or return tendered shares of Company Common Stock after the termination or withdrawal of the Offer), to pay for any shares of Company Common Stock tendered pursuant to the Offer unless, (i) there shall have been validly tendered and not withdrawn prior to the expiration of the Offer such number of shares of Company Common Stock which would constitute a majority of the outstanding shares (determined on a fully diluted basis) of Company Common Stock (the "Minimum Condition"), (ii) any waiting period under the HSR Act applicable to the purchase of shares of Company Common Stock pursuant to the Offer shall have expired or been terminated and (iii) (A) all consents, approvals, orders or authorizations of, or registrations, declarations or filings with, any Governmental Entity with jurisdiction in respect of Gaming Laws (other than New Jersey) required or necessary in connection with the Offer, the Merger and this Agreement and the transactions contemplated by this Agreement (including the changes in the composition of the Board of Directors of the Company) shall have been obtained and shall be in full force and effect and (B) in the case of the New Jersey Casino Control Act and the rules and regulations promulgated thereunder, either, at the option of Parent, (x) as contemplated by Section 5.03, all shares of Caesars New Jersey, Inc. shall have been deposited in trust with a trustee qualified and otherwise acceptable to the New Jersey Casino Control Commission and the transactions and arrangements contemplated by Section 5.03 shall be in full force and effect and, as a result, neither Parent nor Sub will be required pursuant to the requirements of the New Jersey Casino Control Act and the rules and regulations promulgated thereunder to deposit or place in trust any of the shares of Company Common Stock currently owned by Parent or its affiliates or to be acquired pursuant to the Offer or (y) (1) the New Jersey Casino Control Commission shall have approved a form of trust agreement in form and substance reasonably satisfactory to Parent (including in respect of control by Parent of the Company and its subsidiaries) in respect of a trust arrangement for the shares of Company Common Stock to be acquired pursuant to the Offer and the Merger pending final qualification of Parent to hold a casino license under the New Jersey Casino Control Act and

the rules and regulations thereunder, (2) a trustee qualified and otherwise acceptable to the New Jersey Casino Control Commission and Parent in respect of such trust arrangement for the shares of Company Common Stock to be acquired pursuant to the Offer and the Merger shall have been appointed or designated and (3) the directors of Sub shall have been qualified on a permanent or temporary basis to serve as directors of a company (including the Company) that either directly, or through its subsidiaries, holds a casino license under the New Jersey Casino Control Act and the rules and regulations thereunder. Furthermore, notwithstanding any other term of the Offer or this Agreement, Sub shall not be required to accept for payment or, subject as aforesaid, to pay for any shares of Company Common Stock not theretofore accepted for payment or paid for, and may terminate the Offer if, at any time on or after the date of this Agreement and before the acceptance of such shares for payment or the payment therefor, any of the following conditions exists (other than as a result of any action or inaction of Parent or any of its subsidiaries which constitutes a breach of this Agreement):

(a) there shall be instituted or pending any suit, action or proceeding (in the case of a suit, action or proceeding by a person other than a Governmental Entity, such suit, action or proceeding having a substantial likelihood of success or, in the case of a suit, action or proceeding by a Governmental Entity, such suit, action or proceeding having a reasonable likelihood of success), (i) challenging the acquisition by Parent or Sub of any shares of Company Common Stock under the Offer, seeking to restrain or prohibit the making or consummation of the Offer or the Merger, or seeking to obtain from the Company, Parent or Sub any damages that are material in relation to the Company and its subsidiaries taken as whole, (ii) seeking to prohibit or materially limit the ownership or operation by the Company, Parent or any of their respective subsidiaries of a material portion of the business or assets of the Company and its subsidiaries, taken as a whole, or Parent and its subsidiaries, taken as a whole, or to compel the Company or Parent to dispose of or hold separate any material portion of the business or assets of the Company and its subsidiaries, taken as a whole, or Parent and its subsidiaries, taken as a whole, as a result of the Offer or any of the other transactions contemplated by this Agreement, (iii) seeking to impose material limitations on the

ability of Parent or Sub to acquire or hold, or exercise full rights of ownership of, any shares of Company Common Stock accepted for payment pursuant to the Offer including, without limitation, the right to vote such Company Common Stock on all matters properly presented to the stockholders of the Company or (iv) seeking to prohibit Parent or any of its subsidiaries from effectively controlling in any material respect the business or operations of the Company and its subsidiaries, taken as a whole;

(b) there shall be any statute, rule, regulation, judgment, order or injunction enacted, entered, enforced, promulgated or deemed applicable to the Offer or the Merger, or any other action shall be taken by any Governmental Entity or court, other than the application to the Offer or the Merger of applicable waiting periods under the HSR Act, that is reasonably likely to result, directly or indirectly, in any of the consequences referred to in clauses (i) through (iv) of paragraph (a) above;

(c) there shall have occurred any material adverse change (or any development that, insofar as reasonably can be foreseen, is reasonably likely to result in any material adverse change) in the business, properties, assets, financial condition or results of operations of the Company and its subsidiaries, taken as a whole, except that (i) fluctuations in the earnings or financial condition of the Company during the period from October 31, 1994 to consummation of the Offer that result from winnings by high-wagering customers so long as the Company has been operating on a basis consistent with its existing policies concerning extensions of credit and setting of gambling limits and so long as aggregate levels of wagering by high-wagering customers are consistent with the past experience of the Company, (ii) any material adverse effect resulting, directly or indirectly, from the prospective ownership of Company Common Stock by Parent or its affiliates, or (iii) any change which adversely affects the gaming industry in Nevada or the gaming industry in New Jersey, shall not be deemed to be a material adverse change;

(d) (i) the Board of Directors of the Company or any committee thereof shall have withdrawn or modified in a manner adverse to Parent or Sub its approval or recommendation of the Offer, the Merger or this

Agreement, or approved or recommended any takeover proposal, (ii) the Company shall have entered into any agreement with respect to any competitive proposal in accordance with Section 5.02(b) of this Agreement or (iii) the Board of Directors of the Company or any committee thereof shall have resolved to take any of the foregoing actions;

(e) any of the representations and warranties of the Company set forth in this Agreement that are qualified as to materiality shall not be true and correct and any such representations and warranties that are not so qualified shall not be true and correct in any material respect, in each case at the date of this Agreement and at the scheduled expiration of the Offer;

(f) the Company shall have failed to perform in any material respect any material obligation or to comply in any material respect with any material agreement or material covenant of the Company to be performed or complied with by it under this Agreement;

(g) there shall have occurred (i) any general suspension of trading in, or limitation on prices for, securities (excluding any coordinated trading halt triggered solely as a result of a specified decrease in a market index), (ii) any decline in the New York Stock Exchange Composite Index by an amount in excess of 33% measured from the close of business on December 16, 1994, (iii) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (iv) any limitation (whether or not mandatory) by any Governmental Entity on, or other event that materially affects, the extension of credit by banks or other lending institutions or (v) in case of any of the foregoing existing on the date of this Agreement, material acceleration or worsening thereof;

(h) the Agreement shall have been terminated in accordance with its terms.

The foregoing conditions are for the sole benefit of Sub and Parent and may, subject to the terms of the Agreement, be waived by Sub and Parent in whole or in part at any time and from time to time in their sole discretion. The failure by Parent or Sub at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right, the waiver of any such right with respect to particular facts and circumstances shall not be deemed a waiver with respect to any other facts and circumstances and

each such right shall be deemed an ongoing right that may be asserted at any time and from time to time.

EXHIBIT (c)(2)

CONFORMED COPY

OPTION AGREEMENT dated as of December 19, 1994, by and among ITT CORPORATION, a Delaware corporation ("Parent"), ITT FLORIDA ENTERPRISES INC., a Florida corporation and a wholly owned subsidiary of Parent ("Sub"), and CAESARS WORLD, INC., a Florida corporation (the "Company").

WHEREAS Parent, Sub and the Company propose to enter into an Agreement and Plan of Merger of even date herewith (the "Merger Agreement") providing for the making of a cash tender offer (the "Offer") by the Sub for shares of Common Stock, par value $.10 per share, of the Company (the "Common Stock") and the merger of the Company and Sub; and

WHEREAS as a condition to their willingness to enter into the Merger Agreement, Parent and Sub wish to have the option set forth herein to purchase, under certain circumstances, shares of Common Stock from the Company.

NOW, THEREFORE, to implement the foregoing and in consideration of the mutual agreements contained herein and for other consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. As used in this Agreement, the following terms shall have the following meanings:

"Affiliate" has the meaning assigned to the term "affiliate" in the Merger Agreement.

"Closing Date" has the meaning assigned to such term in the Merger Agreement.

"Common Stock" has the meaning assigned to such term above.

"Exercise Closing" has the meaning assigned to such term in Section 2.02(b).

"Expiration Date" means the earliest of (i) the Closing Date and (ii) the date the Merger Agreement is validly terminated by the Company pursuant to Section 8.01(g) of the Merger Agreement due to a material breach by Parent or Sub of their respective representations, warranties, covenants or other agreements under the Merger Agreement.

"lien" has the meaning assigned to such term in the Merger Agreement.

"Merger Agreement" has the meaning assigned to such term above.

"Offer" has the meaning assigned to such term in the Merger Agreement.

"Option" has the meaning set forth in Section 2.01.

"Option Exercise Period" means the period commencing with the first occurrence of a Trigger Event and ending with the Expiration Date.

"person" has the meaning assigned to the term "person" in the Merger Agreement.

"Shares" has the meaning set forth in Section 2.01.

"Subsidiary" has the meaning assigned to the term "subsidiary" in the Merger Agreement.

"Trigger Event" means Parent, Sub or any other Affiliate of Parent shall have accepted Shares for payment pursuant to the Offer.

SECTION 1.02. Interpretation. The rules of interpretation set forth in Section 9.04 of the Merger Agreement shall apply to this Agreement, and the provisions thereof shall be deemed to be incorporated by reference herein.

ARTICLE II

THE OPTION

SECTION 2.01. Grant of Option. The Company hereby grants to Sub an irrevocable option (the "Option") to purchase, on the terms and subject to the conditions set forth herein, up to 5,000,000 newly issued shares of Common Stock, plus all shares of Common Stock held in treasury (collectively, the "Shares"). All of such Shares will be duly authorized, validly issued, fully paid and non-assessable and not subject to preemptive rights.

SECTION 2.02. Exercise of Option. (a) The Option may be exercised by Sub (or its designee, which designee must be Parent or a direct or indirect wholly owned Subsidiary of Parent), in whole or in part, at any time, or from time to time, during the Option Exercise Period.

(b) In order for Sub to exercise the Option, Sub shall give written notice to the Company of such exercise, specifying the number of Shares to be purchased (and the denominations of the share certificate or certificates to be issued), whether Sub and/or a designee of Sub will be purchasing the Shares and the place, time and date of the closing of such purchase (the "Exercise Closing"), which date shall not be less than one business day nor more than ten business days from the date on which such notice is delivered.

(c) At each Exercise Closing, the Company shall deliver to Sub (or its designee) all of the Shares to be purchased by delivery of a certificate or certificates evidencing such Shares in the denominations designated by Sub in the notice required under Section 2.02(b).

SECTION 2.03. Purchase Price; Payment. In the event Sub exercises the Option, Sub (or, at Sub's option, its designee) shall, at the related Exercise Closing, deliver by wire transfer to an account designated at least one business day in advance of such Exercise Closing an amount equal to the product of (x) $67.50 and (y) the number of Shares purchased at such closing.

SECTION 2.04. Reservation of Shares. The Company has reserved, and will keep reserved, for issuance (in the case of newly issued Shares) and delivery (in the case of treasury Shares) hereunder the maximum number of Shares that

would be issuable and deliverable, as the case may be, from time to time if the Option were exercised in full, in each case free and clear of all liens.

SECTION 2.05. Adjustment Upon Changes in Capitalization. In the event of any change in the number (or conversion or exchange) of issued and outstanding shares of Common Stock by reason of any stock dividend, split-up, merger, recapitalization, combination, exchange of shares, spin-off or other change in the corporate or capital structure of the Company which could have the effect of diluting or otherwise diminishing Sub's rights hereunder (including any issuance of Common Stock or other equity security of the Company at a price below the fair value thereof), the number and kind of Shares subject to the Option shall be appropriately adjusted so that Sub shall receive upon exercise (or, if such a change occurs between exercise and the related Exercise Closing, upon such Exercise Closing) of the Option the number and kind of Shares or other securities or property that Sub would have received in respect of the Shares that Sub is entitled to purchase upon exercise of the Option if the Option had been exercised (or the purchase thereunder had been consummated, as the case may be) immediately prior to such event. The rights of Sub under this Section shall be in addition to, and shall in no way limit, its rights against the Company for breach of the Merger Agreement.

ARTICLE III

GENERAL PROVISIONS

SECTION 3.01. Further Assurances. From time to time, at any of the other parties' request and without further consideration, each party hereto shall execute and deliver such additional documents, transfers, assignments, endorsements, consents and other instruments and take all such further action as may be necessary or desirable to consummate the transactions contemplated by this Agreement, including to vest in Sub (or its designee hereunder) thereof good title to any Shares purchased hereunder. Upon the terms and subject to the conditions set forth in this Agreement, each of the parties agrees to use reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most

expeditious manner practicable, the Option, and the transactions contemplated by this Agreement.

SECTION 3.02. Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed given if delivered personally or sent by overnight courier (providing proof of delivery) to the parties at the following addresses (or at such other address for a party and shall be specified by like notice):

(a) If to Parent or Sub, to:

ITT Corporation
1330 Avenue of the Americas
New York, New York 10019-5049
Facsimile: (212) 258-1037
Attention: Richard S. Ward, Esq.

with copies to:

Cravath, Swaine & Moore
Worldwide Plaza
825 Eighth Avenue
New York, New York 10019
Facsimile: (212) 474-3700
Attention: Philip A. Gelston, Esq.

(b) If to the Company, to:

Caesars World, Inc.
1801 Century Park East
Los Angeles, California 90067
Facsimile: (310) 552-9254
Attention: Philip L. Ball, Esq.

with copies to:

Skadden, Arps, Slate, Meagher & Flom
919 Third Avenue
New York, NY 10022
Facsimile: (212) 735-2000
Attention: Morris J. Kramer, Esq.

SECTION 3.03. Amendments; Waivers. (a) No provision of this Agreement may be amended or waived unless such amendment or waiver is in writing and signed, in the case of an amendment, by the parties hereto, or in the case

of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 3.04. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

SECTION 3.05. Entire Agreement; No Third Party Beneficiaries. This Agreement, the Merger Agreement and the agreements contemplated hereby and thereby, constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of these agreements and, except for the provisions of Article III of the Merger Agreement, the last sentence of Section 6.10(a) of the Merger Agreement and Sections 6.04 and 6.05 of the Merger Agreement, are not intended to confer upon any person other than the parties any rights or remedies hereunder.

SECTION 3.06. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY APPLICABLE CONFLICTS OF LAW.

SECTION 3.07. Assignment. Except as specifically provided herein with respect to any designee of Sub exercising the Option, neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise by any of the parties without the prior written consent of the other parties, except that Sub may assign, in its sole discretion, any of or all its rights, interests and obligations under this Agreement to Parent or to any direct or indirect wholly owned Subsidiary of Parent, but no such assignment shall relieve Sub of any of its obligations under this Agreement. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and

be enforceable by, the parties and their respective successors and assigns.

SECTION 3.08. Enforcement. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of the United States located in the State of New York or California or in New York or California state court, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any Federal court located in the State of New York or California or any New York or California state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions

contemplated by this Agreement in any court other than a Federal or state court sitting for the State of New York or California.

IN WITNESS WHEREOF, the Company, Parent and Sub have caused this Agreement to be duly executed as of the day and year first above written.

ITT CORPORATION,

by
/s/ Richard S. Ward

Name: Richard S. Ward
Title: Executive V.P.,
General Counsel

ITT FLORIDA ENTERPRISES INC.,

by
/s/ Richard S. Ward

Name: Richard S. Ward
Title: Executive V.P.,
General Counsel

CAESARS WORLD, INC.,

by
/s/ Roger Lee

Name: Roger Lee
Title: Senior Vice
President, Finance
& Administration

EXHIBIT (c)(3)

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This is an amendment and restatement signed this ____ day of December, 1994, of the Employment Agreement made as of August 1, 1991, by and between CAESARS WORLD, INC. (the "Company"), a Florida corporation, and Henry Gluck (the "Employee"), as previously amended as of August 1, 1992 and October 4, 1994, with ITT Corporation ("ITT") being added as a party hereto (such amendment and restatement being hereinafter called the "Agreement").

FACT RECITALS

A. Employee is presently employed under the employment agreement, as amended, described above; and

B. During the course of Employee's employment with the Company, Employee has performed outstanding services for the Company and has obtained a superior reputation in the industry, with regulatory agencies, and with various institutional holders and members of the financial constituency of the Company; and

C. It is deemed by the Company to be in the best interests of the Company and its shareholders to assure continuation of Employee's employment to the employees of the Company and to the other interested

parties described in B above; and

D. The Company recognizes that the nature and character of the Company and its present Board of Directors and Employee's present position, duties, responsibilities and status within this structure are indispensable factors which have caused Employee to remain in the employ of the Company and to enhance the value of Employee's services to the Company; and

E. Employee desires assurance of a long-term future with the Company and is willing to enter into a long-term agreement with the Company; and

F. Pursuant to an Agreement and Plan of Merger, dated as of December 19, 1994, among the Company, ITT Corporation and ITT Florida Enterprises Inc. (the "Merger Agreement"). This Agreement is being executed prior to the acquisition of shares of the Company's common stock pursuant to the Offer, as defined in the Merger Agreement. The effective date of this Agreement shall be the date of the acquisition of shares of the Company's common stock pursuant to the Offer.

1. TERM OF EMPLOYMENT.

Unless earlier terminated as herein provided, the term of Employee's employment with the Company hereunder shall commence at the effective date and shall end on the fifth anniversary date of the effective date. Employee's employment hereunder shall not be affected by

his age. For purposes of this Agreement, the "Term" of this Agreement shall mean the full five-year term of the Agreement, plus any extensions which may be mutually agreed upon by all three parties hereto in writing. For purposes of this Agreement, the "Employment Period" (which in no event shall extend beyond the Term) shall mean the period during which Employee has an obligation to render services hereunder, as described in Paragraph 2, taking into account any notice of termination which may be given by either the Company or the Employee. It is understood that there are certain circumstances of termination under which the Employment Period (and Employee's obligation to render services) will end before the Term (and certain of the Company's obligations will end). Various provisions of this Agreement are intended to survive the expiration or termination of the Term or the Employment Period, including, without limitation, the provisions of Paragraphs 6.c., 6.d., 7 and 9 through 14, inclusive.

2. DUTIES AND AUTHORITY OF EMPLOYEE.

During the Employment Period, the Employee shall be Chief Executive Officer and Chairman of the Board of Directors of the Company (hereinafter "the Board") and shall devote his efforts to rendering servic-

es to the Company and its affiliates in such capacities. As Chairman of the Board, the Employee shall have those powers and duties set forth in Article VII, Section 4, of the Company's By-laws, as amended, and all powers exercised by Employee in behalf of the Company in such positions prior to the date of this Agreement. As Chief Executive Officer, the Employee shall be the principal officer of the Company, and shall have full power to conduct the Company's business, and responsibility for active management, control and supervising of the business and affairs of the Company subject only to the supervision and control of the Chief Executive Officer of ITT and all powers exercised by Employee on behalf of the Company prior to the date of this Agreement, subject to such supervision and control. The Employee shall report only to the Chief Executive Officer of ITT. Employee's powers and authority shall be superior to those of any officer or employee of the Company or of any subsidiary thereof. Employee shall not be required without his consent to undertake responsibilities not commensurate with his position nor shall the Company limit or restrict his authority or responsibility in the performance of those duties. Employee shall comply with ITT's Code of

Conduct, as set forth in the so-called "red book" as of the date hereof.

3. DIRECTORSHIP.

At each election during the Employment Period, ITT shall cause Employee to be one of management's candidates for election to, and Employee agrees to serve (if elected) on, the Board of Directors of ITT. It is understood that service as a director of ITT must terminate when a director attains the age of seventy-two (72) years.

4. PLACE AND FACILITIES OF EMPLOYMENT.

During the Employment Period, Employee's place of employment will be in the West Los Angeles area. Employee shall not be required to render any services hereunder outside of the West Los Angeles area except for business travel reasonably necessary in connection with the Company's business and with his service as a director of ITT. During the Employment Period, Employee shall be furnished by the Company a private office consistent with his status and a private secretary of Employee's choice in the West Los Angeles area. The West Los Angeles area means an area bordered by Washington Boulevard on the south, La Brea Avenue on the east, Sunset Boulevard on the north, and Pacific Ocean on the west.

5. EXCLUSIVITY.

It is understood that the Employee's employment during the Employment Period shall be on an executive basis, except that the Employee may, subject to the provisions of Paragraph 10 hereof, undertake or continue to conduct other business, civic, or charitable activities during the Employment Period if such activities do not materially interfere, directly or indirectly, with the duties of the Employee hereunder, or compete with any business of the Company; provided, however, that no additional outside business activities shall be undertaken without the prior consent of the Board. The Company agrees that the Employee may, at the Employee's Option, hold outside directorships subject to approval by the Board of the identity of the entity, during the Employment Period. It is believed that such service will be in the best interests of the Company because it will expose Employee to the continual flow of ideas and contacts which could be useful to the Company. Employee may retain all compensation from such board service. Notwithstanding the foregoing, nothing contained in this Employment Agreement shall be deemed to preclude Employee from owning not more than the

lesser of one percent (1%) or $250,000 in market value of the publicly traded capital stock of an entity whether or not in competition with the business of the Company or its subsidiaries or affiliates or from carrying on activities normally incident to managing passive investments. Employee shall be deemed to be engaged in or concerned with a duty or pursuit which is contrary to any provision of this Agreement only if he has received written notice to such effect, setting forth with reasonable specificity the basis of such claim, from the Company and has not, within sixty (60) days from the date of his receipt of any such written notice, initiated steps to eliminate his engagement in or concern with such duties or pursuits as are specified in such notice as being contrary to this Agreement.

6. COMPENSATION.

a. Salary.

(i) During the Employment Period, the Employee shall be paid a salary (herein "Salary"), which may be increased from time to time at the election of the Board or any committee of the Board to which such power has been delegated by the Board. Employee shall be entitled to annual salary reviews. As of the date of

this Agreement, the annual rate of Employee's Salary shall be $890,000.

(ii) On each August 1, beginning August 1, 1995, the Salary then effective shall be adjusted in accordance with two-thirds of the increase or decrease of the Consumer Price Index - United States City Average, All Urban Consumers, All Items, published by the Bureau of Labor Statistics, U.S. Department of Labor (herein "CPI"), on such date with respect to the CPI for the preceding August 1. This "CPI Adjustment" shall be equal to two-thirds of the increase or decrease in the CPI as of a given August 1 with respect to the CPI for the preceding August 1, divided by the amount of the CPI on the preceding August 1, multiplied by the Salary as of such preceding August 1. The Salary for the ensuing fiscal year shall be the salary as of the previous August 1 (A) plus the CPI adjustment, in the case of an increase in the CPI since the previous August 1, and (B) minus the CPI Adjustment, in the case of a decrease in the CPI since the previous August 1. If at the time of any such adjustment such CPI shall no longer be published, the parties shall agree on an appropriate measure of the increase in cost of living. As of August 1 of any fiscal year, the Salary as adjusted pursuant to the foregoing

provisions or by the Board at its election shall thereafter be the Salary under this Agreement.

(iii) The Employee's Salary shall be paid in the same installments which prevail for other Senior Corporate Officers of the Company (in no event less frequently than monthly) or such other installments as are agreed upon between the Employee and the Company.

a. Bonus and Incentive Compensation.

During the Employment Period, for each fiscal year the Employee shall be paid the greater of (x) the annual bonus amount calculated pursuant to Paragraph 6.b.(i)-(viii) or (y) the annual bonus amount calculated pursuant to Paragraph 6.b.(ix).

(i) During the Employment Period, upon sign-off by the Company's auditors, Employee shall be paid incentive compensation (herein "Incentive Compensation") as provided in Paragraph 6.b.(viii) hereof, or, if Employee elects pursuant to Paragraph 6.b.(viii) hereof, Employee shall be paid Incentive Compensation for each fiscal year of the Company equivalent to one percent (1%) of the Incentive Income (as defined below) of the Company but not more than one hundred percent (100%) of Employee's Salary earned during such fiscal year.

(ii) For this purpose, "Incentive Income" shall mean the Consolidated Net Income of Caesars World, Inc. and subsidiaries for a particular fiscal year as certified by the Company's independent auditors for purposes of the Company's annual report to shareholders for such fiscal year (provided that, after the consummation of the Offer pursuant to the Merger Agreement, the Incentive Income and the Incentive Net Worth, as defined below, shall be calculated based on the Company's continuing operations which existed immediately prior to such consummation and as if the transactions contemplated by the Merger Agreement had never taken place), after the following adjustments:

A. Add back all amounts charged against Consolidated Net Income in respect of the following:

I. The minority interest in earnings of any consolidated subsidiary, and taxes based upon or measured, in whole or in part, by income of the Company and its subsidiaries;

II. The aggregate of net expense charges for all awards in the nature of incentive compensation and bonuses for all officers and assistant officers of the Company which were accrued for such fiscal year; and

an amount equal to twelve percent (12%) of any deficit of Incentive Net Worth (as defined in (iii) below);

III. All items characterized as Extraordinary Losses on the consolidated statement of income;

IV. All charges against such income of any kind whatsoever resulting from either a write-up of Company assets as a result of a reorganization of the Company or a revaluation of the Company assets as a result of an acquisition of the Company in a transaction constituting a "purchase transaction" under generally accepted accounting principles and any and all interest charges imposed upon the Company as a result of the use of Company assets or credit to finance any purchase by an outsider of the assets of the Company or of a majority or more of the stock of the Company; and

V. All charges against income for items constituting unusual items under generally accepted accounting principles which are treated as "one-line" items for financial statement presentation purposes and which pertain to or arise out of a tender or exchange offer for Company stock, a consolidation or merger of the Company, or which pertain to or arise out of a recapitalization transaction or other corporate restructuring initiated by the Company.

B. Subtract all amounts included in Consolidated Net Income in respect of the following:

I. All amounts characterized as Extraordinary Gains on consolidated statements of income for the Company and its subsidiaries;

II. An amount equal to twelve percent (12%) of Incentive Net Worth (as defined in (iii) below); and

III. All increases in such income of any kind whatsoever resulting from a write-down of Company assets as a result of a reorganization of the Company or a revaluation of Company assets as a result of an acquisition of the Company in a transaction constituting a "purchase transaction" under generally accepted accounting principles.

(iii) For this purpose, Incentive Net Worth shall mean, as applied to a particular fiscal year, the total Shareholders' Equity shown on the consolidated balance sheet for the Company and its subsidiaries as of the end of the preceding fiscal year, plus or minus the amount of any increase or decrease during a fiscal year, from the issue or the purchase of common or preferred stock or any distributions with respect to the Company's common or preferred stock. As to increases or decreases

during a given year, the increase or decrease shall be appropriately adjusted by a proportion based on the number of days in the year prior to or after the increase or decrease, as the case may be. Increases in Shareholders' Equity during the year (or period of computation in the event of termination of Employee during a fiscal year) resulting from the issuance or vesting of stock bonus awards or the issuance of stock pursuant to the exercise of employee stock options or stock appreciation rights should not be taken into account in the computation for that year.

(iv) Notwithstanding the foregoing, in the event that any incentive plan for Senior Corporate Officers (i.e., those officers of the corporation
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subject to the jurisdiction of the Audit and Compensation Committee) uses a lower percentage of net worth than twelve percent (12%) or a more favorable definition of Incentive Income or Net Worth, or the equivalent, Employee's Incentive Compensation shall be calculated using such more favorable definitions.

(v) In the event the Employment Period or the Term expires or terminates before the end of a given fiscal year for any reason whatsoever or Employee becomes subject to a Disability during a given fiscal

year of the Employment Period, the Incentive Compensation for such fiscal year shall be computed based on the actual operating results of the Company to the end of the month preceding the effective day of termination or the date of Disability (the "Computation Period") and the twelve percent (12%) item in Paragraph 6.b.(ii)B. above (or any substituted rate) shall be reduced by one percent (1%) (or 1/12 of such rate if the then effective rate shall be less than twelve percent (12%)) for each month less than twelve (12) in the Computation Period. Incentive Compensation shall vest monthly as earned even though calculation by the Company's auditors may not be completed until a later date and payment is not made until after such calculations can be completed.

(vi) In the event of any acquisitions by the Company during the Employment Period, the Company and Employee will renegotiate the provisions of this Paragraph 6.b. so as to modify the applicable formula to produce a reasonable and fair result consistent with the previous formula but taking into account the acquisition.

(vii) Notwithstanding the foregoing, in computing "Incentive Income" and "Incentive Net Worth", as defined herein, charges or equity adjustments related to or arising from the transactions contemplated by the

Merger Agreement, including, without limitation, with respect to deferred compensation or the lapsing of restrictions on restricted shares of the Company's common stock, shall not be taken into account.

(viii) As to any particular fiscal year of the Company, unless Employee elects in writing, prior to the later to occur of (x) August 31 of such fiscal year or (y) the tenth business day following his receipt of notice of the Company's adoption of the Senior Corporate Executive Incentive Plan (or its successor) for such fiscal year, to make this Paragraph 6.b. applicable for such year, Employee shall instead automatically participate in the Senior Corporate Executive Incentive Plan of the Company, or any successor plan thereto, and this Paragraph 6.b. shall not apply for such year. Such an election as to any particular year will only be applicable to that year and, absent a similar agreement for any later year, this Paragraph 6.b. shall not apply to such later year.

(ix) During the Employment Period, the Employee shall be paid an annual bonus for each fiscal year of the Company based on an $800,000 target bonus, with a pay-out varying between 0% and 150% of the target bonus. The percentage pay-out shall be determined by the degree

to which pre-established performance goals based on the Company's budgeted operating cash flow and improvements thereto are attained.

c. Other Benefits.

(i) After the consummation of the Offer pursuant to the Merger Agreement and throughout the rest of the Employment Period, ITT will recommend to the committee administering the 1994 ITT Corporation Incentive Stock Plan (the "ITT Plan") that the Employee shall receive an annual grant of a stock option for 35,000 shares of common stock ($1 par value) of ITT pursuant to the ITT Plan. The first such grant shall be made as of the day immediately following such consummation. The options shall have an exercise price per ITT share equal to the fair market value of an ITT share on the date of grant. The options shall become exercisable as to two-thirds (2/3's) of the underlying ITT shares when the trading price of an ITT share equals or exceeds a dollar amount which is twenty-five percent (25%) over the exercise price per ITT share for ten consecutive trading days and shall become fully exercisable at the earlier of (x) the date when the trading price of an ITT share equals or exceeds a dollar amount which is forty percent (40%) over the exercise price per ITT share for ten consecutive

trading days or (y) the earlier of the fifth (5th) anniversary of the date of grant or the "Wrongful Termination" of the Employee's employment, as defined in this Agreement. The term of the options shall be nine years. If the Employee voluntarily terminates his employment hereunder within the first year after the effective date hereof, he shall have 30 days after such termination to exercise his options which are exercisable at the time of such termination and his options which are unexercisable at the time of such termination shall be forfeited. After such first year of employment hereunder, if the Employee is eligible to receive immediate retirement benefits under either an Executive Security Plan of the Company or an ITT pension plan, any termination of employment (except a termination for "cause" as defined in this Agreement) shall be treated as a retirement under the ITT Plan which entitles him, whether or not his options are exercisable on the date of such termination, to exercise all of his options within five years of such termination (or within their original term, whichever is shorter) and such options shall continue to vest after such termination in accordance with their terms. After such first year of employment hereunder, if the Employee's employment is terminated for "cause" as defined

in this Agreement, he shall have 30 days after such termination to exercise his options which are exercisable at the time of such termination and his options which are unexercisable at the time of such termination shall be forfeited.

(ii) The Employee shall, to the extent deemed appropriate by the Board (or any applicable committee of the Board), participate at a level consistent with his rank in profit sharing, stock appreciation right, stock bonus, stock option, deferred compensation, and other similar benefits which are made available to executives employed by the Company during the Employment Period. Also, during the Employment Period, Employee shall continue to participate in all fringe benefits and perquisites now furnished Employee and (subject to the terms of any such plan) in the Executive Security Plan and Individual Retirement Plan, and shall participate consistent with his rank in any retirement plan or other fringe benefits or perquisites hereafter adopted by the Company and made applicable to its officers. Further, during the Employment Period, the Company will provide, at its expense, life, business travel, disability, medical, dental and hospitalization insurance for the Employee and

his dependents in amounts and on terms as favorable as those provided for any other officer of the Company.

d. Retirement Benefits.

(i) Supplemental Retirement.

In addition to any retirement benefits which the Company shall provide to Employee under the terms of any retirement plan currently existing or which the Company shall adopt during the Employment Period, the Company shall pay Employee (or Employee's beneficiaries) an annual retirement benefit equal to the product of (A) two percent (2%) times the number of years of Continuous Employment (as defined in the Executive Security Plan of the Company as of the date hereof) after July 31, 1985 (but not more than the aggregate of sixty percent (60%)) and (B) the average Incentive Compensation accruing to Employee for all years of Continuous Employment beginning after July 31, 1985 (i.e., beginning with the Incentive Compensation paid for the fiscal year ended July 31, 1986). Payment of the annual retirement benefit under this Paragraph 6.d.(i) shall commence on the first day of the first month following Employee's sixty-fifth birthday or upon Employee's retirement from employment with the Company, whichever shall occur later. The annual retirement benefit shall be payable in monthly installments for

the life of Employee but not less than ten (10) years in any event; and if Employee shall die before the expiration of such ten (10) year period, the remaining payments shall be paid to the Beneficiary of Employee as designated under the Executive Security Plan of the Company. If Incentive Compensation for any given fiscal year is taken into account in computing retirement benefits for Employee under any retirement plan of the Company (other than pursuant to this Paragraph 6.d.(i)), the amount of the accrual under this Paragraph 6.d.(i) shall be reduced on the basis of actuarial equivalence by the benefit given to, or contribution in behalf of, Employee under such other plan based on the Incentive Compensation of Employee for that fiscal year.

(ii) Trust Fund Protection.

At any time (a) that the consolidated shareholder equity of the Company shall be below $150 million, (b) within thirty (30) days preceding the end of the Term or at any time thereafter or (c) at any time within thirty (30) days preceding the date Employee ceases to be the Chief Executive Officer and Chairman of the Board of Directors of the Company or at any time thereafter, Employee by notice to the Company may require that the Company establish a trust account with a bank or

financial institution (the "Trustee") mutually acceptable to Employee and the Company and that the Company deposit in such account an amount necessary to pay all retirement benefits of Employee and Employee's beneficiaries provided under this Agreement and the Executive Security Plan of the Company (or any other unfunded retirement plan of the Company (or any other unfunded retirement plan hereafter adopted by the Company). The Company shall continue to make additional payments to the Trustee on an annual basis during the Term of this Agreement to the extent required in order to maintain in the account sufficient funds to cover the anticipated benefits to Employee and Employee's beneficiaries. Under the terms of the trust agreement, the trust fund and the required retirement benefit payments to Employee and his beneficiaries in behalf of the Company shall be subject to the claims of the Company's creditors. To the extent that the trust fund is insufficient to make the full payment that Employee or Employee's beneficiaries are entitled to under this Agreement and any other retirement plan of the Company, the Company shall pay the difference from its general assets. Any excess funds remaining in the trust fund upon termination of all of the Company's obligations to Employee and any of his beneficiaries under this

Paragraph 6.d. and any other retirement plan of the Company in which Employee participates shall revert to the Company. To the extent that implementation of this subparagraph will adversely affect the deferral of taxation of Employee with respect to the accrual of retirement benefits on behalf of Employee, this Paragraph 6.d.(ii) shall be deemed void.

(iii) Upon the first to occur of (x) the expiration of the Term or (y) termination of the Term or the Employment Period other than under Paragraph 9.a., and continuing until one year after the death of Employee, the Company will provide Employee and his dependents with medical, dental and hospitalization insurance equivalent to that provided Senior Corporate Officers of the Company or any parent corporation of the Company, provided Employee has at the time of expiration or termination attained the age when Employee would be first eligible for early retirement under the Executive Security Plan assuming all other requirements under such plan were fulfilled at such time. Such insurance shall be provided through the plans of the Company or, if this is not practical, the Company shall directly pay all such expenses on the same basis as if Employee had been included in such plans. To the extent Employee obtains other

employment (and Employee shall be under no obligation to do so under this Paragraph 6.d.(iii)), insurance obtained as a result of such other employment shall be the first line of insurance and insurance provided under this provision shall only be supplementary. Also, to the extent Employee is entitled to insurance under Medicare or its equivalent, the insurance under this provision shall be only supplementary or second line to the extent allowed by law.

e. Withholding.

All compensation shall be subject to normal required withholdings.

7. VACATIONS.

Employee shall accrue vacation time at the rate of one and two thirds (1 2/3) days per month of service during the Employment Period, provided, however, at no time shall more than sixty (60) days be accrued and during any period that the cumulative accrual is at this sixty (60) day level, no additional vacation time shall accrue. At Employee's option, vacation may be taken, either in whole or in part, consecutively or not, in the year that Employee's entitlement to that vacation accrues or, if unused during such year, such vacation time shall be carried over (subject to the sixty (60) day maximum

accrual) and may be used in any subsequent year during the Employment Period, provided that no more than sixty (60) days of vacation may be taken in any calendar year. Upon termination of Employee's employment with the Company for any reason whatsoever, Employee shall be paid his Salary or all unused then accrued vacation at the Salary rate then existing up to the maximum accrual of sixty (60) days.

8. EXPENSES.

The Company will reimburse Employee for all expenses reasonably incurred by Employee in the performance of his duties under this Agreement. Reimbursement shall be made in accordance with the practices and requirements generally applied by the Company in connection with reimbursement of expenses incurred by its employees. It is understood that the Company will pay to Employee an automobile allowance providing the equivalent of availability to Employee of a car of comparable level of quality as presently being operated by Employee under an automobile allowance from the Company. The Company also will pay for the insurance, operating, maintenance and repair of such car (including gasoline and oil) or a car used by Employee in lieu of a furnished car if Employee elects the automobile allowance. The allowance and all

payments with respect to the automobile will be grossed-up for tax purposes in accordance with Company practices as they exist as of the date of this Agreement. Employee may from time to time also incur certain expenses on behalf of the Company or in furtherance of its business for which reimbursement may not be made under Company policy or practices.

9. TERMINATION OF EMPLOYMENT PERIOD AND/OR AGREEMENT.

a. Termination by the Company for Cause.

(i) The Company may at any time, at its election, terminate the Employment Period and the Term prior to the Term's expiration because of the following causes: (A) willful misconduct by the Employee in the performance of his duties under this Agreement or his habitual neglect of such duties, (B) failure of the Employee to obtain or retain any permits, licenses or approvals which shall be required by any state or local authorities where the failure to obtain such license will result in the loss of a material license or franchise held by the Company (or a subsidiary thereof), or (C) a willful breach by the Employee of any of the material terms of this Agreement.

(ii) Any such termination shall be effective only if notice is given to Employee not later than

ninety (90) days following the event, transaction, or occurrence giving rise to such right of termination, or, if later, ninety (90) days after the Company first discovers that such event, transaction, or occurrence has taken place. Also, any such termination under (A) through (C) of Paragraph 9.a.(i) may only occur if all of the following are demonstrated by the Company: (x) the failure, breach or action directly materially adversely affects the Company (except in the event of a termination under Paragraph 9.a.(i)(B)), (y) the failure, action or breach by Employee was in bad faith and lacking in a good faith belief that it was in or at least not opposed to the Company's interest (except in the event of a termination under Paragraph 9.a.(i)(B)), and (z) the Company gave notice to cure to Employee and Employee failed to cure within thirty (30) days after notice thereof or, if a cure was not possible within thirty (30) days, failed to take all practical action within such period leading to a cure.

(iii) (A) In the event that the Company elects to terminate the Employment Period and the Term for cause pursuant to the foregoing provisions of this Paragraph 9.a., the termination shall not be effective and the Agreement (including, without limitation, Para-

graphs 9.d. and 9.e.) shall continue in full force and effect until the issuance of an arbitration award affirming the Company action. Without limiting the generality of the foregoing, the Company shall continue to pay Employee's then current Salary and Incentive Compensation as specified in Paragraph 6. of this Agreement and shall continue all other benefits until the issuance of such arbitration award.

(B) Such arbitration shall be held in Los Angeles, California in accordance with the rules of the American Arbitration Association (except as otherwise provided in this Paragraph 9.(iii)(B)) within ninety (90) days following receipt by the Employee of the notice to cure under Paragraph 9.a.(ii) above. Any decision by the arbitrator shall be final and binding on the parties and all successors in interest. Judgment upon an award of the arbitrator may be entered in any court of competent jurisdiction. Employee shall cooperate with the Company in effecting such an accelerated arbitration. The Company shall make available to Employee any and all documents requested by the Employee for purposes of defending such arbitration and allow Employee or Employee's representatives access to any and all Company records and personnel for such purpose. The Company will

produce any such records and personnel at the arbitration to the extent requested by Employee. Notwithstanding the foregoing, the arbitration shall not be commenced until Employee has had a reasonable opportunity to have the matter investigated and his case prepared by any representatives; however, the Employee shall use his best efforts to complete his presentation within the above stipulated ninety (90) day period. The Company will pay all Employee's reasonably incurred legal expenses and other costs in presenting the matter and all costs of the arbitrator.

(C) In the event that the arbitrator shall decide in favor of the Company, Employee shall repay all Salary earned by Employee following the expiration of the 30-day cure period under Paragraph 9.a.(ii)(z) above. As to Incentive Compensation in the event that the arbitration results in a judgment in favor of the Company, for purposes of Paragraph 6.b.(v) of this Agreement, the effective day of termination shall be the date of the expiration of the cure period in Paragraph 9.a.(ii)(z) and to the extent Employee has received any payment of Incentive Compensation pertaining to the Incentive Compensation accruals after such date, Employee shall repay the same to the Company upon demand. Not-

withstanding anything in this Paragraph 9.a.(iii), the Company may suspend Employee upon the expiration of the cure period specified in Paragraph 9.a.(ii)(z) pending the outcome of arbitration; however, as stated above, Employee shall continue to receive Salary, Incentive Compensation, and all benefits during such suspension subject to Employee's obligation to repay Salary and Incentive Compensation in the event the arbitration decision is against Employee as set forth above. Employee shall be allowed to retain benefits in all events.

(iv) In the event that there is a termination of the Employment Period and the Term by the Company under this Paragraph 9.a. and the cause is solely the cause described under Paragraph 9.a.(i)(B) above and not within either Paragraph 9.a.(i)(A) or (C), Employee shall be entitled to severance pay equivalent to one (1) year's Salary payable within five (5) days of the effective date of termination, and to the continuation of all fringe benefits and insurance described in Paragraph 6.c. for a one (1) year period following such termination (which continuation shall not, however, duplicate insurance already provided by Paragraph 6.c. for such period), provided, that the actions of employee leading to the loss of license were in the good faith belief that his

actions were for the benefit of and in the best interests of the Company and not in violation of any law and that such payments are not in violation of law, and, provided further, that Employee used his best efforts to obtain or retain (as the case may be) such license.

b. Disability.

In the event that Employee shall become subject to a Disability (as defined below) during the Employment Period, the Incentive Compensation shall stop accruing and the Salary payable to Employee shall be reduced to fifty percent (50%) of the Salary in effect at the date of the Disability. Such reduced compensation shall continue until the termination of Employee's Disability, the expiration of the Term, or the expiration of thirty (30) months from the inception of the Disability, whichever occurs first. During any such period of Disability, the Company shall also keep in force for the benefit of Employee and Employee's dependents all life, health and medical insurance policies maintained for Employee's benefit under the terms of this Agreement and Employee shall be considered to be employed for purposes of the vesting and accrual of benefits of all other plans and programs of the Company in which Employee is a participant and which vest or accrue benefits over a period of

time, except Incentive Compensation. Notwithstanding the foregoing, the Company shall not be required to add Employee to any new bonus, profit sharing, stock bonus, stock option, deferred compensation, and other similar plans or make any new awards to Employee under this Agreement with respect to such new or presently existing plan during the period of such Disability. All Salary payments pursuant to this Paragraph 9.b. due to Employee under its terms shall be reduced by any disability payments made in accordance with any existing disability program or disability insurance of the Company. For purposes of this Agreement, Employee shall be deemed to have become subject to a Disability (herein "Disability") if, because of ill health or physical or mental disability, Employee shall be unable to perform his duties and responsibility to the extent reasonably necessary for Employee to give the Company substantially the value of his services for a consecutive one hundred and eighty (180) day period and upon the completion of such one hundred and eighty (180) day period, either the Company or the Employee shall have given written notice to the other of such party's election that Employee be treated as subject to a Disability. The date of such Disability

shall be the third calendar day immediately following transmittal of such written notice of Disability.

If, because of ill health or physical or mental disability, Employee shall be unable to perform his duties and responsibility to the extent reasonably necessary for Employee to give the Company substantially the value of his services for a consecutive sixty (60) days, the Company, in its sole discretion (but in consultation with the Employee to the extent practicable), may appoint temporarily an Acting Chief Executive Officer; provided, however, that if the Employee becomes able to provide such services again during the Term of this Agreement, he shall replace the Acting Chief Executive Officer and resume acting as Chief Executive Officer of the Company.

If, because of ill health or physical or mental disability, Employee shall be unable to perform his duties and responsibility to the extent reasonably necessary for Employee to give the Company substantially the value of his services for a consecutive three-hundred-sixty-five (365) days, if the Employee's personal physician and a physician selected by the Company shall unanimously determine that the Employee will be subject to a Disability for the remainder of the Term (or, if they shall be unable to agree, they shall mutually agree upon

a third physician who shall make a determination as to whether the Employee will be subject to a Disability for the remainder of the Term), then the Company may, in its discretion, remove the Employee from the positions of both Chairman of the Board and Chief Executive Officer, and the Employee shall have no right to treat such removal as a "Wrongful Termination".

c. Death.

The Term and the Employment Period will automatically terminate upon the death of the Employee; however, the Company will pay death benefits equal to fifty percent (50%) of Employee's Salary at his death to Employee's surviving spouse for twelve (12) months after Employee's death or so long as the spouse survives Employee, whichever ends first, and there shall be full acceleration of vesting or exercisability upon death of all outstanding unvested stock options and stock awards including, without limitation, those awards under the Key Employee Stock Bonus Plan, the Key Employee Stock Grant Plan, Key Employee Incentive Share Grant Agreement or any similar stock plans or agreements of the Company (whether such awards are made before or after the date of this Agreement) and delivery to the appropriate person of all stock pursuant to terms of any such plans or agreements.

d. Termination by the Company (without Cause).

(i) Wrongful Termination Described.

A. Wrongful Termination. Notwithstanding the foregoing, if during the Employment Period Employee is not reelected to, or is removed from, the position of either Chairman of the Board or Chief Executive Officer other than for cause as provided in Paragraph 9.a. above, or if the Company otherwise materially breaches this Agreement and fails to complete the cure of such breach within thirty (30) days after notice from Employee, then, at any time within three (3) months after the date upon which Employee is removed from either such position or the breach date, as the case may be, Employee may elect by notice in writing to the Secretary of the Company to treat the situation as a "Wrongful Termination" of Employee's employment by the Company effective one (1) week after the notice and to discontinue his obligations to perform services hereunder. The Employment Period shall end at such effective date.

B. Arbitrated Determination of Company Breach. If Employee believes the Company has materially breached this Agreement, then, in lieu of electing to notify the Secretary of the Company to treat the situation as Wrongful Termination, Employee may request an arbitra-

tion to determine whether the Company has in fact materially breached this Agreement. The arbitration shall be conducted under the rules of Paragraph 9.a.(iii)B. and all provisions of Paragraph 9.a.(iii)B. shall apply, including without limitation the Company's obligation to pay legal and other expenses and costs of Employee and the arbitration costs. Employee shall continue to perform his services for the Company pending the decision of the arbitrator and shall receive all Salary, Incentive Compensation and benefits for such period. If the arbitrator shall decide for Employee, Employee shall have two (2) months after such decision to elect by written notice to the Company to treat the breach as a Wrongful Termination under this Paragraph 9.d. as provided in 9.d.(i) above. The arbitration requested by Employee shall be binding on both Employee and the Company as to the matters submitted to arbitration.

(ii) Employee's Obligations after Wrongful Termination. In the event of a Wrongful Termination, Employees' obligations under Paragraph 2 shall cease as of the date notice of such termination is given; provided, however, that all payments and benefits provided to Employee hereunder because of a Wrongful Termination shall be upon the condition of, and partly in consider-

ation for, Employee's continued compliance with any covenants in this Agreement which by their terms apply during the Term of thereafter.

(iii) Payments and Benefits to Employee after a Wrongful Termination. In the event of a Wrongful Termination upon or after a Change in Control, certain additional payments and benefits to Employee are provided under Paragraph 9.e.(iii). In the event of any Wrongful Termination, the Company shall pay the Employee (i) within five (5) days of the date notice of such termination is given, any amounts which have become payable under other provisions of this Agreement or other obligations of the Company to Employee which have accrued but have not yet been paid, including without limitation Salary earned prior to the date the notice is given and compensation for unused vacation, and (ii) in accordance with the other provisions of this Agreement, all entitlements of Employee, including without limitation entitlements under Paragraphs 6.b.(v), 6.d., 13, and 14. Accrued Incentive Compensation shall be paid in accordance with the provisions of this Agreement or the Corporate Executive Incentive Plan (or its successor), whichever is applicable. The Company shall also be obligated as follows:

A. Within five (5) days following the date notice of such termination is given, the Company shall pay the Employee an amount equal to the present value of the sum of (x) all Salary then unearned for the balance of the Term (without consideration of cost of living increases) plus (y) the present value of an amount determined by multiplying the number of years and fractional years to the nearest month then remaining in the Term times the amount of Incentive Compensation earned by Employee for the last full fiscal year of the Company preceding the date of termination. In making this present value calculation the projected Incentive Compensation shall be assumed to be earned pro rata over the remaining Term. For this purpose, the rate used for the determination of the present value shall be the average of the five (5) year treasury note rates effective at the end of each of the six (6) calendar months immediately preceding the month in which the termination of employment occurs. If Employee agrees to take a ten percent (10%) reduction in the amount otherwise payable under this Paragraph 9.d.(iii)A. for the present value of Salary and Incentive Compensation with respect to the remaining Term, Employee shall have not duty to mitigate damages following a Wrongful Termination by the Company, and the Company shall not

be entitled to any reduction of its obligations under this Agreement or repayment from Employee by virtue of any subsequent employment of Employee except as set forth below in Paragraph 9.d.(iii)C. below.

B. During the remaining Term, the Company shall keep in force for the benefit of Employee and Employee's dependents all life insurance policies maintained for Employee's benefit under the terms of this Agreement and fulfill its automobile obligations under Paragraph 8. During such period the Company shall not be required to add Employee to any new profit sharing, stock bonus, stock option, bonus, deferred compensation and other similar plans or make any awards to Employee under this Agreement with respect to new or old plans of such nature. In the event of a Wrongful Termination, all existing stock options and any awards under the Key Employee Stock Grant Plan, Key Employee Incentive Share Grant Agreement or any similar stock plans or agreements of the Company (whether made before or after this Agreement) not otherwise exercisable or vested under its terms shall be immediately exercisable or vested in full upon such termination (i.e., upon the giving of the Employee's notice of termination
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specified in Paragraph 9.d.(i)A. or B. above) and shall thereafter be exercisable or vested

in full pursuant to the terms of such stock option or other awards.

C. Notwithstanding Paragraph 9.d.(iii)B., any life insurance afforded Employee under this Agreement shall be only supplementary or secondary to any such protection provided by other employment or through Medicare.

e. Employee's Additional Election and Rights after a Change in Control.

(i) Employee's Right to Elect Termination after a Change in Control.

A. Permitted Period for Elective Termination. In the event of a Change in Control, Employee shall have the right to elect to terminate the Employment Period (and his obligation to render services under this Agreement) by notice in writing to the Secretary of the Company within twelve (12) months after the Change in Control.

B. Payments and Benefits to Employee after Elective Termination. If the Employee elects termination under Paragraph 9.e.(i)A., the Company (i) shall pay Employee, upon receipt of such notice of termination, any amounts which have become payable under other provisions of this Agreement or other unpaid obligations

of the Company which have then accrued, but have not yet been paid, including without limitation Salary and Incentive Compensation earned prior to the date notice is given and compensation for unused vacation, and (ii) shall provide, in accordance with the other provisions of this Agreement, all entitlements of Employee, including without limitation entitlements of Employee under the provisions of Paragraph 6.b.(v), 6.d., 13, and 14. The Company shall also pay to the Employee (or there shall automatically be paid or delivered in the case of Paragraph 9.e.(i)(B)(y) below):

(w) benefits described in the first sentence of Paragraph 9.d.(iii)B. to be provided for the greater of period (A) or (B) described in Paragraph 9.e.(i)B.(x), in accordance with the provisions of Paragraphs 9.d.(iii)B. and C. as if the termination were a Wrongful Termination,

(x) upon the effective date of termination of Employee's employment, as severance pay, a lump sum amount equal to the present value of the aggregate of the remaining amount of Salary and Incentive Compensation provided with respect to the greater of (A) the remaining Term (as if he had continued to render services for the duration of the Term, but without consideration of cost

of living increases) or (B) two (2) years, calculated (in the case of either (A) or (B)) in accordance with Paragraph 9.d.(iii)A. above, including (if Employee agrees) the reduction by 10% in lieu of mitigation,

(y) except as otherwise specified herein, full acceleration of vesting or exercisability upon notice of termination of all outstanding unvested stock options and stock awards including, without limitation, those awards under the Key Employee Stock Bonus Plan, the Key Employee Stock Grant Plan, Key Employee Incentive Share Grant Agreement or any similar stock plans or agreements of the Company (whether such awards are made before or after the date of this Agreement) and delivery to Employee of all stock pursuant to terms of any such plans, and

(z) notwithstanding any other provision hereof, within five (5) days following the date notice of such termination is given, in lieu of any benefits payable under the Company's Executive Security Plan ("ESP"), a lump sum equal to the Termination Benefit as defined in the ESP and computed in accordance with the ESP provisions with the following assumptions: (i) as if the ESP had no forfeiture provisions provided in Section 5.3 thereof, and (ii) as if the Employee had continued to be employed by the Company for the greater of period (A) or

(B) described above in Paragraph 9.e.(i)B.(x); provided, however, that, if any part (or all) of such lump sum shall not be paid, either pursuant to the "Contingent Severance Agreement" (the agreement by that name between Employee and the Company, dated as of the same date hereof as amended from time to time) or pursuant to this Agreement (whether as the result of the application of Paragraph 9.e.(i)C. or otherwise), the Employee shall remain entitled to whatever benefits (if any) the ESP, by its own terms, grants the Employee and the Employee shall be paid such benefits in accordance therewith after reduction for any amount paid pursuant to the Contingent Severance Agreement or this Paragraph 9.e.(i)B.(z).

C. Contingent Limitation on Amounts. (w) Notwithstanding any other provisions of this Agreement or any other agreement, plan or arrangement, in the event that any payment or benefit received or to be received by Employee (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, or any other plan, arrangement or agreement with the Company, or any other plan, arrangement or agreement with any person whose actions result in a Change in Control or any person affiliated with the Company or such person) (all such payments and benefits

being hereinafter called "Total Payments") would not be deductible (in whole or in part) as a result of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), by the Company, an affiliate or other person making such payment or providing such benefit, then the portion of the Total Payments payable pursuant to this Agreement shall be reduced to the extent necessary so that no portion of the Total Payments is subject to the parachute excise tax (the "Excise Tax") imposed by Section 4999 of the Code (after taking into account any reduction in the Total Payments provided by reason of Section 280G of the Code in any other plan, arrangement or agreement) if (A) the net amount of such Total Payments, as so reduced (and after deduction of the net amount of Federal, state of local income tax on such reduced Total Payments) is greater than (B) the excess of (i) the net amount of such Total Payments, without reduction (but after deduction of the net amount of Federal, state and local income tax on such Total Payments), over (ii) the amount of Excise Tax to which the Employee would be subject in respect of such Total Payments. Any reduction of the Total Payments shall be made in one of the two alternative orders set forth in Paragraph 9.e.(i)C.(x) hereof.

(x) If the Total Payments all become payable at approximately the same time, (i) the benefits under Paragraph 9.e.(i)B.(w) (or under the first sentence of Paragraph 9.d.(iii)B., if applicable) shall first be reduced (if necessary, to zero), (ii) the payment pursuant to Paragraph 9.e.(i)B.(z) (or pursuant to Paragraph 9.e.(iii)(x), if applicable) shall next be reduced (if necessary to zero), (iii) acceleration of vesting of awards under stock options, the Key Employee Stock Bonus Plan, Key Employee Stock Grant Plan, Key Employee Incentive Share Agreement or any similar stock plan or agreement of the Company and severance pay under Paragraph 9.e.(i)B.(x) (or payments under Paragraph 9.d.(iii)A., if applicable) shall next be reduced (if necessary to zero), and (iv) other portions of the Total Payments shall be reduced as necessary. If the Total Payments do not become due and payable at the same time, the respective Total Payments shall be paid in full in the order in which they become payable until any portion thereof would not be deductible, and such portion (and any subsequent portions) of the Total Payments shall be reduced to zero.

(y) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total

Payments the receipt or enjoyment of which the Employee shall have effectively waived in writing prior to the date of termination shall be taken into account; (ii) no portion of the Total Payments shall be taken into account which in the opinion of tax counsel selected by the Company's independent auditors and acceptable to the Employee does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code, including by reason of Section 280G(b)(4)(A) of the Code; (iii) in calculating the Excise Tax, the payments in Paragraphs 9.e.(ii)B.(w) through (z) (or Paragraph 9.d.(iii)A. through B. and Paragraph 9.e.(iii)(x), if applicable) shall be reduced only to the extent necessary so that the Total Payments (other than those referred to in clauses 9.e.(i)(C)(y)(i) or (ii)) in their entirety constitute reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code or are otherwise not subject to disallowance as deductions because of Section 280G of the Code, in the opinion of tax counsel referred to in clause 9.e.(i)(C)(y)(ii); and (iv) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Company's independent auditors in accordance with the principles of Section 280G(d)(3) and

(4) of the Code. Prior to the earliest payment date set forth in Paragraph 9.e.(i)B. (or Paragraph 9.d.(iii) and 9.e.(iii), as applicable), the Company shall provide the Employee with its calculation of the amounts referred to in this Paragraph 9.e.(i)C and such supporting materials as are reasonably necessary for the Employee to evaluate the Company's calculations. If the Employee objects to the Company's calculations, the Company shall (on or prior to the applicable payment date) pay to the Employee such portion of the amounts payable pursuant to this Agreement (up to one hundred percent (100%) thereof) as the Employee determines is necessary to result in the Employee's receiving the greater of the amounts in clauses (A) and (B) of Paragraph 9.e.(i)C(w).

D. Employee's Obligations after Elective Termination. If Employee elects to terminate his obligations to render services under this Agreement pursuant to Paragraph 9.e.(i)A., his obligations under Paragraph 2 shall cease as of the date notice of such termination is given. Employee agrees that all payments made because of such elective termination shall be upon the condition of, and partly in consideration for, his continued compliance with any covenants under Paragraph

11 of this Agreement which by their terms apply during the Term or thereafter.

(ii) Agreement in Full Effect after a Change in Control. Upon and after a Change in Control, until and unless Employee makes a written election pursuant to Paragraph 9.e.(i)A., this Agreement shall continue in full force and effect, in accordance with all the provisions hereof.

(iii) Additional Payments and Provisions after Wrongful Termination upon or after a Change in Control. In the event of a Wrongful Termination upon or after a Change in Control (or upon or after the occurrence of any other event which constitutes a change in ownership or effective control of the Company or in the ownership of its assets, or which would be deemed to be such a change under Section 280G of the Internal Revenue Code of 1986, as amended, or the regulations or other legal authority developed thereunder), the Company shall provide Employee with the payments and benefits required by Paragraph 9.d.(iii) and the following shall apply:

(i) notwithstanding any other provisions hereof, in lieu of any benefits payable under the Company's Executive Security Plan ("ESP"), the Company shall pay, within five 95) days following the date notice

of such termination is given, a lump sum equivalent to the Termination Benefit as defined in the ESP and computed in accordance with the ESP provisions with the following assumptions: (i) as if the ESP had no forfeiture provisions provided in Section 5.3 thereof, and (ii) as if the Employee had continued to be employed by the Company for the Term; provided, however, that, if any part (or all) of such lump sum shall not be paid, either pursuant to the Contingent Severance Agreement or pursuant to this Agreement, the Employee shall remain entitled to whatever benefits (if any) the ESP grants the Employee (such benefits to be reduced by any amount paid pursuant to the Contingent Severance Agreement or this Paragraph 9.e.(iii)(x)) and the Employee shall be paid such benefits in accordance therewith; and

(y) Section 5.3 of the ESP shall be void as to Employee.

(i) Offset of Certain Amounts. Notwithstanding the provisions of
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Paragraphs 9.d. and 9.e., any payments or benefits to Employee pursuant to Paragraph 9.d.(iii)A.-C., 9.e.(i)B.(w)-(z) or 9.e.(iii)(x)-(z), shall be reduced by any amounts the Company may have previously paid Employee for the same items pursuant to Section 6(A) of the Contingent Severance Agreement.

10. RESTRICTION OF COMPETITION.

During the Term the Employee will not, as an officer, director, employee, or consultant, work for, or participate in, the activities of any firm or person which is engaged (a) in the operation of a casino in the continental United States, or (b) in any other line of business which is the same, or substantially the same, as a line of business from which the Company and its subsidiaries at the time, and at such, if any, earlier time as this Agreement is terminated, derive at least twenty-five percent (25%) of their consolidated revenue, and which is engaged in significant competition with the Company or any of its subsidiaries. For the purpose of this Paragraph 10, the term "line of business" shall mean a group of products or services treated as a line of business by the Company in its most recent annual report (or most nearly similar report) filed with the Securities and Exchange Commission. The Company, in its sole discretion, may waive this Paragraph 10 to expand the class of companies with which Employee could mitigate damages under Paragraph 9 above. Employee's obligations under this Paragraph 10 shall terminate immediately upon any Wrongful Termination of Employee by the Company or upon a Change in Control.

11. CONFIDENTIAL INFORMATION

The Employee will not, during or after the Term, disclose to any firm or person any information, including, but not limited to, information about customers or about the design, manufacture or marketing of products or services, which is treated as confidential by the Company and to which the Employee gains access by reason of his position as an employee of the Company.

12. RIGHT TO INJUNCTIVE RELIEF.

The Employee acknowledges that the Company will suffer irreparable injury, not readily susceptible of valuation in monetary damages, if the Employee breaches any of his obligations under Paragraph 10 and 11 above. Accordingly, the Employee agrees that the Company shall be entitled, in addition to, and not in lieu of any other available remedies, to seek and obtain injunctive relief against any breach or prospective breach by the Employee of the Employee's obligations under Paragraphs 10 and 11 in any Federal or state court sitting in Los Angeles County in the State of California or, at the Company's election, in Clark County of the State of Nevada or in such other state as may be the state in which the Employee maintains his principal residence or his principal place of business. The Employee hereby submits to the

jurisdiction of all those courts for the purposes of any actions or proceedings instituted by the Company to obtain such injunctive relief, and agrees that process may be served by registered mail, addressed to the last address of the Employee known to the Company, or in any other manner authorized by law.

13. LIABILITY INSURANCE.

a. Insurance

Subject only to the provisions of Paragraph 13.b. below, the Company hereby agrees that, so long as Employee shall continue to serve as a director, officer, employee or consultant of the Company (or shall continue at the request of the Company to serve as a director, officer, employee, partner, consultant, or agent of another corporation, partnership, joint venture, trust or other enterprise) and thereafter so long as Employee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal or investigative by reason of the fact that Employee was a director, officer, or employee, of the Company (or served in any of said other capacities), the Company will purchase and maintain in effect for the benefit of Employee one or more valid, binding and enforceable policy or policies of directors and officers

insurance providing, in all respects, coverage at least comparable to that presently provided pursuant to the directors and officers insurance presently available to the Company ("the Insurance Policies").

b. Limitation On Company Obligation

The Company shall not be required to maintain the Insurance Policies in effect if said insurance is not reasonably available or if, in the reasonable business judgment of the then Board either (i) the premium cost for such insurance is substantially disproportionate to the amount of coverage or (ii) the coverage provided by such insurance is so limited by exclusions that there is insufficient benefit from such insurance.

14. INDEMNITY.

a. Subject only to the exclusions set forth in Paragraph 14.b. below, and in addition to any rights of Employee under the By-laws of the Company, any applicable state law, Paragraph 13 of this Agreement, or any other agreement, the Company hereby further agrees to hold harmless and indemnify Employees:

(i) Against any and all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by Employee in connection with any threatened, pending or complet-

ed action, suit or proceeding, whether civil, criminal, administrative or investigative (including an action by or in the right of the Company) to which Employee is, was or at any time becomes a party, or is threatened to be made a party, by reason of the fact that Employee is, was or at any time becomes a director, officer, employee, consultant, or agent of Company, or is or was serving or at any times serves at the request of the Company, as a director, officer, employee, consultant, partner, trustee or agent (regardless of his title) of another corporation, partnership, joint venture, trust or other enterprise; and

(ii) Otherwise to the fullest extent as may be provided to Employee by the Company under the non-exclusivity provisions of the By-laws of the Company and the Florida Business Corporations Act, and

(iii) From any and all income and excise taxes (and interest and penalties relating thereto) imposed on Employee with reference to any payment under this Paragraph 14 (including without limitation payments in indemnity for such taxes).

b. No indemnity pursuant to this Paragraph 14 shall be paid for such taxes).

(i) except to the extent the aggregate of losses to be indemnified thereunder exceed the sum of $500 plus the amount of such losses for which the Employee is indemnified either pursuant to the By-laws of the Company or any subsidiary, pursuant to any Directors and Officers insurance purchased and maintained by the Company pursuant to Paragraph 13 above;

(ii) in respect to remuneration paid to Employee if it shall be determined by a final judgment or other final adjudication that such remuneration was in violation of law;

(iii) on account of any suit in which judgment is rendered against Employee for an accounting of profits made by the purchase or sale by Employee of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law;

(iv) on account of actions or omissions which are finally adjudicated to have been material to the cause of action adjudicated and to fall within any of paragraphs (a) through (d) of the last sentence of Section 607.0850 of the Florida Business Corporations Act; or

(v) if a final decision by a Court having jurisdiction in the matter shall determine that such indemnification to Employee is not lawful.

c. All agreements and obligations of the Company contained herein shall continue during the period Employee is a director, officer, employee, consultant or agent of the Company (or is or was serving at the request of the Company as a director, officer, employee, partner, consultant or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue thereafter so long as Employee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal or investigative, by reason of the fact that Employee was an officer or director of the Company or serving in any other capacity referred to herein.

d. The Company shall not be liable to indemnify Employee under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent. The Company shall not settle any action or claim in any manner which would impose any penalty or limitation on Employee without Employee's written consent. Neither the Company or Employee will unreasonably withhold consent to any proposed settlement.

e. The Company will pay all expenses immediately upon the presentment of bills for such expenses. Employee agrees that Employee will reimburse the Company for all reasonable expenses paid by the Company in defending any civil or criminal action, suit or proceeding against Employee in the event and only to the extent that it shall be ultimately determined that Employee is not entitled to be indemnified by the Company for such expenses under the provisions of the applicable state statute, the By-laws, this Agreement or otherwise. This Agreement shall not affect any rights of Employee against the Company, any insurer, or any other person to seek indemnification or contribution.

f. If the Company fails to pay any expenses (including, without limiting the generality of the foregoing, legal fees and expenses incurred in defending any action, suit or proceeding), Employee shall be entitled to institute suit against the Company to compel such payment and the Company shall pay Employee all costs and legal fees incurred in enforcing such right to prompt payment.

g. To the extent allowable under Florida law, the burden of proof with respect to any proceeding or determination with respect to Employee's entitlement to

indemnification under this Agreement shall be on the Company.

h. Neither the failure of the Company, its Board of Directors, independent legal counsel, nor its stockholders to have made a determination that indemnification of the Employee is proper in the circumstances because he has met the applicable standard of conduct set forth in the Florida Business Corporations Act, nor an actual determination by the Company, its Board of Directors, independent legal counsel, or its shareholders that the Employee has not met such applicable standard of conduct, shall be a defense to any action on the part of Employee to recover indemnification under this Agreement to create a presumption that Employee has not met the applicable standard of conduct.

15. CHANGE IN CONTROL.

a. Change in Control. For purposes of this Agreement, "Change in Control" shall mean a change in control of the Company, which shall be deemed to have occurred upon the first fulfillment of the conditions set forth in any one of the following four paragraphs:

(i) any Person, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned,

directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing twenty-five percent (25%) or more of the combined voting power of the Company's then outstanding securities; or

(ii) during any period of two consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a Person who has entered into an agreement with the Company to effect a transaction described in Paragraph 15.a.(i) or 15.a.(iii) hereof) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(iii) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation; other than a merger or consolidation

which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the shareholders of the Company approve a plan o f complete liquidation of the Company or an agreement for the sale or disposition by the Company of all of substantially all the Company's assets; or

(iv) any Person shall be or has become the Beneficial Owner of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities and (i) the identity of the Chief Executive officer of the Company is changed during the period beginning sixty (60) days before the attainment of the twenty percent (20%) beneficial ownership and ending two (2) years thereafter, or (ii) individuals constituting at least one-third (1/3) of the members of the Board at the beginning of such period shall leave the Board during the period beginning sixty (60) days before the attainment of the twenty percent (20%) beneficial ownership and ending two (2) years thereafter.

b. Definitions. The meanings of certain capitalized terms used in Paragraph 15.a. are provided below:

(i) "Beneficial Owner" shall have the meaning defined in Rules 13d-3 and 13d-5(b) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act").

(ii) "Person" shall have the same meanings as it does in section 3(a)(9) (including the definition of "Company" under section 3(a)(19)) including a group and any other arrangement included as a "Person under section 13(d)(3) of the Exchange Act, provided, a person shall not include an underwriter temporarily holding securities pursuant to an offering of such securities.

7. MISCELLANEOUS.

a. Employee Representations. The Employee represents and warrants to the Company that there is no restriction or limitation, by reason of any agreement or otherwise, upon the Employee's right or ability to enter into this Agreement and fulfill his obligations under this Agreement.

b. Terminated 1991 Agreement. Employee's agreement with the Company dated August 1, 1991, and

subsequently amended on August 1, 1992 and October 4, 1994, shall be terminated upon the effective date of this Agreement.

c. Interest on Amounts Due. In the event any amount due either Employee or the Company under this Agreement is not paid when due, it shall thereafter bear interest at the rate equivalent to the Security Pacific National Bank, Los Angeles (or its successor), prime rate as it shall vary from time to time over the period until paid. Such interest shall be compounded on a monthly basis.

d. Amendment. This Agreement shall not be changed or terminated except in writing.

e. Law. This Agreement shall be governed by, and construed under, the laws of the State of California except for Paragraphs 13 and 14 which will be governed by Florida law and Paragraph 10 which shall be governed by the law of the state in which a business of the Company is located with respect to which a claim of competition is made (e.g., if Employee worked for a casino in Las Vegas, Nevada law would govern any adjudication).

f. Successors, Assigns. The terms and provisions of this Agreement shall inure to the benefit of the personal representatives, heirs and legatees of the

Employee and shall be binding upon and inure to the benefit of any successors or assigns of the Company . This Agreement shall survive any merger or voluntary or involuntary dissolution and shall bind any person acquiring the Company's assets in such event.

g. Notices. Any notices or other communications required or permitted to be given under this Agreement shall be deemed given on the day when delivered in person, or the third business day after the day on which mailed by first class mail from within the United States of America addressed to the party receiving the communication at the principal office of the Company or such other address as the party receiving the communication shall have designated to the other in writing.

h. Consents and Approvals. As to any paragraph of this Agreement providing for the consent or approval of any party to this Agreement, such provision shall be deemed to include the restriction that any such exercise of approval or consent shall be reasonable and not unreasonably denied regardless of whether such provision actually sets forth a specification that such an approval or consent shall not be unreasonably denied.

i. Severability. If any provision of this Agreement is found invalid or unenforceable, the remain-

der of this Agreement shall nevertheless remain in full force and effect. If any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances. If the provision held invalid or substantially limited involves the compensation or benefits of Employee, Employee shall have the option for thirty (30) days following the final decision holding such provision to be invalid to terminate this Agreement by written notice to the Company.

j. Captions. Captions in this Agreement are merely to facilitate references and shall not affect the interpretation of any of the provisions.

17. CHANGE IN CONTROL LIMITATION.

The parties hereto agree that consummation of the transactions contemplated by the Merger Agreement (including, without limitation, the acquisition of shares of the Company's common stock pursuant to the Offer, as defined therein) will constitute a "Change in Control", as that term is used in this Agreement. The parties further agree that no transaction or event subsequent to the Effective Time, as defined in the Merger Agreement, will constitute a Change in Control for purposes of this Agreement.

18. GUARANTEE BY ITT.

ITT hereby agrees to be bound by all the provisions of this Agreement, including, without limitation, the undertakings in this Agreement directly related to ITT or its common stock, and hereby guarantees the obligations of the Company in this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed at Los Angeles, California.

EMPLOYEE

_____
Henry Gluck

CAESARS WORLD, INC.

By_____

ITT CORPORATION

By_____

EXHIBIT (c)(4)

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This is an amendment and restatement signed this ____ day of December, 1994, of the Employment Agreement made as of August 1, 1991, by and between CAESARS WORLD, INC. (the "Company"), a Florida corporation, and J. Terrence Lanni (the "Employee"), as previously amended as of August 1, 1992 and October 4, 1994, with ITT Corporation ("ITT") being added as a party hereto (such amendment and restatement being hereinafter called the "Agreement").

FACT RECITALS

A. Employee is presently employed under the employment agreement, as amended, described above; and

B. During the course of Employee's employment with the Company, Employee has performed outstanding services for the Company and has obtained a superior reputation in the industry, with regulatory agencies, and with various institutional holders and members of the financial constituency of the Company; and

C. It is deemed by the Company to be in the best interests of the Company and its shareholders to assure continuation of Employee's employment to the

employees of the Company and to the other interested parties described in B above; and

D. The Company recognizes that the nature and character of the Company and its present Board of Directors and Employee's present position, duties, responsibilities and status within this structure are indispensable factors which have caused Employee to remain in the employ of the Company and to enhance the value of Employee's services to the Company; and

E. Employee desires assurance of a long-term future with the Company and is willing to enter into a long-term agreement with the Company; and

F. Pursuant to an Agreement and Plan of Merger, dated as of December 19, 1994, among the Company, ITT Corporation and ITT Florida Enterprises Inc. (the "Merger Agreement"), this Agreement is being executed prior to the acquisition of shares of the Company's Common Stock pursuant to the Offer. The effective date of this Agreement shall be the date of acquisition of shares of the Company's common stock pursuant to the Offer.

1. TERM OF EMPLOYMENT.

Unless earlier terminated as herein provided, the term of Employee's employment with the Company hereunder shall commence at the effective date and shall end on the third anniversary of the effective date. For pur-

poses of this Agreement, the "Term" of this Agreement shall mean the full three-year term of the Agreement, plus any extensions which may be mutually agreed upon by all three parties hereto in writing. For purposes of this Agreement, the "Employment Period" (which in no event shall extend beyond the Term) shall mean the period during which Employee has an obligation to render services hereunder, as described in Paragraph 2, taking into account any notice of termination which may be given by either the Company or the Employee. It is understood that there are certain circumstances of termination under which the Employment Period (and Employee's obligation to render services) will end before the Term (and certain of the Company's obligations will end). Various provisions of this Agreement are intended to survive the expiration or termination of the Term or the Employment Period, including, without limitation, the provisions of Paragraphs 6.c., 6.d., 7 and 9 through 14, inclusive.

2. DUTIES AND AUTHORITY OF EMPLOYEE.

During the Employment Period, the Employee shall be President and Chief Operating Officer of the Company and shall devote his efforts to rendering services to the Company and its affiliates in such capacities. As President, the Employee shall have those powers and

duties set forth in Article VI, Section 6.6, of the Company's By-laws, as amended, and all powers exercised by Employee in behalf of the Company in such position prior to the date of this Agreement. He shall undertake those assignments given him by the Chief Executive Officer of the Company. The Employee shall report only to the Chief Executive Officer of the Company and the Board of Directors of the Company (hereinafter "the Board"). Employee shall comply with ITT's Code of Conduct, as set forth in the so-called "red book" as of the date hereof.

3. DIRECTORSHIP.

At each election during the Employment Period, ITT shall cause Employee to be one of management's candidates for election to, and Employee agrees to serve (if elected) on, the Board of Directors of the Company.

4. PLACE AND FACILITIES OF EMPLOYMENT.

During the Employment Period, Employee's place of employment will be in the West Los Angeles area. Employee shall not be required to render any services hereunder outside of the West Los Angeles area except for business travel reasonably necessary in connection with the Company's business. During the Employment Period, Employee shall be furnished by the Company a private office consistent with his status and a private secretary

of Employee's choice in the West Los Angeles area. The West Los Angeles area means an area bordered by Washington Boulevard on the south, La Brea Avenue on the east, Sunset Boulevard on the north, and Pacific Ocean on the west.

5. EXCLUSIVITY.

It is understood that the Employee's employment during the Employment Period shall be on an executive basis, except that the Employee may, subject to the provisions of Paragraph 10 hereof, undertake or continue to conduct other business, civic, or charitable activities during the Employment Period if such activities do not materially interfere, directly or indirectly, with the duties of the Employee hereunder, or compete with any business of the Company; provided, however, that no additional outside business activities shall be undertaken without the prior consent of the Board. Notwithstanding the foregoing, nothing contained in this Employment Agreement shall be deemed to preclude Employee from owning not more than the lesser of one percent (1%) or $250,000 in market value of the publicly traded capital stock of an entity whether or not in competition with the business of the Company or its subsidiaries or affiliates or from carrying on activities normally incident to

managing passive investments. Employee shall be deemed to be engaged in or concerned with a duty or pursuit which is contrary to any provision of this Agreement only if he has received written notice to such effect, setting forth with reasonable specificity the basis of such claim, from the Company and has not, within sixty (60) days from the date of his receipt of any such written notice, initiated steps to eliminate his engagement in or concern with such duties or pursuits as are specified in such notice as being contrary to this Agreement.

6. COMPENSATION.

a. Salary.

(i) During the Employment Period, the Employee shall be paid a salary (herein "Salary"), which may be increased from time to time at the election of the Board or any committee of the Board to which such power has been delegated by the Board. Employee shall be entitled to annual salary reviews. As of the date of this Agreement, the annual rate of Employee's Salary shall be $665,882.

(ii) On each August 1, beginning August 1, 1995, the Salary then effective shall be adjusted in accordance with two-thirds of the increase or decrease of the Consumer Price Index - United States City Average,

All Urban Consumers, All Items, published by the Bureau of Labor Statistics, U.S. Department of Labor (herein "CPI"), on such date with respect to the CPI for the preceding August 1. This "CPI Adjustment" shall be equal to two-thirds of the increase or decrease in the CPI as of a given August 1 with respect to the CPI for the preceding August 1, divided by the amount of the CPI on the preceding August 1, multiplied by the Salary as of such preceding August 1. The Salary for the ensuing fiscal year shall be the salary as of the previous August 1 (A) plus the CPI adjustment, in the case of an increase in the CPI since the previous August 1, and (B) minus the CPI Adjustment, in the case of a decrease in the CPI since the previous August 1. If at the time of any such adjustment such CPI shall no longer be published, the parties shall agree on an appropriate measure of the increase in cost of living. As of August 1 of any fiscal year, the Salary as adjusted pursuant to the foregoing provisions or by the Board at its election shall thereafter be the Salary under this Agreement.

(iii) The Employee's Salary shall be paid in the same installments which prevail for other Senior Corporate Officers of the Company (in no event less frequently than monthly) or such other installments as

are agreed upon between the Employee and the Company.

b. Bonus and Incentive Compensation.

During the Employment Period, for each fiscal year the Employee shall be paid the greater of (x) the annual bonus amount calculated pursuant to Paragraph 6.b.(i)-(viii) or (y) the annual bonus amount calculated pursuant to Paragraph 6.b.(ix).

(i) During the Employment Period, upon sign-off by the Company's auditors, Employee shall be paid incentive compensation (herein "Incentive Compensation") as provided in Paragraph 6.b.(viii) hereof, or, if Employee elects pursuant to Paragraph 6.b.(viii) hereof, Employee shall be paid Incentive Compensation for each fiscal year of the Company equivalent to six-tenths of one percent (0.60%) of the Incentive Income (as defined below) of the Company but not more than sixty percent (60%) of Employee's Salary earned during such fiscal year.

(ii) For this purpose, "Incentive Income" shall mean the Consolidated Net Income of Caesars World, Inc. and subsidiaries for a particular fiscal year as certified by the Company's independent auditors for purposes of the Company's annual report to shareholders for such fiscal year (provided that, after the consumma-

tion of the Offer pursuant to the Merger Agreement, the Incentive Income and the Incentive Net Worth, as defined below, shall be calculated based on the Company's continuing operations which existed immediately prior to such consummation and as if the transactions contemplated by the Merger Agreement had never taken place), after the following adjustments:

A. Add back all amounts charged against Consolidated Net Income in respect of the following:

I. The minority interest in earnings of any consolidated subsidiary, and taxes based upon or measured, in whole or in part, by income of the Company and its subsidiaries;

II. The aggregate of net expense charges for all awards in the nature of incentive compensation and bonuses for all officers and assistant officers of the Company which were accrued for such fiscal year; and an amount equal to twelve percent (12%) of any deficit of Incentive Net Worth (as defined in (iii) below);

III. All items characterized as Extraordinary Losses on the consolidated statement of income;

IV. All charges against such income of any kind whatsoever resulting from either a write-up of Company assets as a result of a reorganization of the

Company or a revaluation of the Company assets as a result of an acquisition of the Company in a transaction constituting a "purchase transaction" under generally accepted accounting principles and any and all interest charges imposed upon the Company as a result of the use of Company assets or credit to finance any purchase by an outsider of the assets of the Company or of a majority or more of the stock of the Company; and

V. All charges against income for items constituting unusual items under generally accepted accounting principles which are treated as "one-line" items for financial statement presentation purposes and which pertain to or arise out of a tender or exchange offer for Company stock, a consolidation or merger of the Company, or which pertain to or arise out of a recapitalization transaction or other corporate restructuring initiated by the Company.

B. Subtract all amounts included in Consolidated Net Income in respect of the following:

I. All amounts characterized as Extraordinary Gains on consolidated statements of income for the Company and its subsidiaries;

II. An amount equal to twelve percent (12%) of Incentive Net Worth (as defined in (iii) below); and

III. All increases in such income of any kind whatsoever resulting from a write-down of Company assets as a result of a reorganization of the Company or a revaluation of Company assets as a result of an acquisition of the Company in a transaction constituting a "purchase transaction" under generally accepted accounting principles.

(iii) For this purpose, Incentive Net Worth shall mean, as applied to a particular fiscal year, the total Shareholders' Equity shown on the consolidated balance sheet for the Company and its subsidiaries as of the end of the preceding fiscal year, plus or minus the amount of any increase or decrease during a fiscal year, from the issue or the purchase of common or preferred stock or any distributions with respect to the Company's common or preferred stock. As to increases or decreases during a given year, the increase or decrease shall be appropriately adjusted by a proportion based on the number of days in the year prior to or after the increase or decrease, as the case may be. Increases in Shareholders' Equity during the year (or period of computation in

the event of termination of Employee during a fiscal year) resulting from the issuance or vesting of stock bonus awards or the issuance of stock pursuant to the exercise of employee stock options or stock appreciation rights should not be taken into account in the computation for that year.

(iv) Notwithstanding the foregoing, in the event that any incentive plan for Senior Corporate Officers (i.e., those officers of the corporation subject to the jurisdiction of the Audit and Compensation Committee) uses a lower percentage of net worth than twelve percent (12%) or a more favorable definition of Incentive Income or Net Worth, or the equivalent, Employee's Incentive Compensation shall be calculated using such more favorable definitions.

(v) In the event the Employment Period or the Term expires or terminates before the end of a given fiscal year for any reason whatsoever or Employee becomes subject to a Disability during a given fiscal year of the Employment Period, the Incentive Compensation for such fiscal year shall be computed based on the actual operating results of the Company to the end of the month preceding the effective day of termination or the date of Disability (the "Computation Period") and the

twelve percent (12%) item in Paragraph 6.b.(ii)B. above (or any substituted rate) shall be reduced by one percent (1%) (or 1/12 of such rate if the then effective rate shall be less than twelve percent (12%)) for each month less than twelve (12) in the Computation Period. Incentive Compensation shall vest monthly as earned even though calculation by the Company's auditors may not be completed until a later date and payment is not made until after such calculations can be completed.

(vi) In the event of any acquisitions by the Company during the Employment Period, the Company and Employee will renegotiate the provisions of this Paragraph 6.b. so as to modify the applicable formula to produce a reasonable and fair result consistent with the previous formula but taking into account the acquisition.

(vii) Notwithstanding the foregoing, in computing "Incentive Income" and "Incentive Net Worth", as defined herein, charges or equity adjustments related to or arising from the transactions contemplated by the Merger Agreement, including, without limitation, with respect to deferred compensation or the lapsing of restrictions on restricted shares of the Company's common stock, shall not be taken into account.

(viii) As to any particular fiscal year of the Company, unless Employee elects in writing, prior to the later to occur of (x) August 31 of such fiscal year or (y) the tenth business day following his receipt of notice of the Company's adoption of the Senior Corporate Executive Incentive Plan (or its successor) for such fiscal year, to make this Paragraph 6.b. applicable for such year, Employee shall instead automatically participate in the Senior Corporate Executive Incentive Plan of the Company, or any successor plan thereto, and this Paragraph 6.b. shall not apply for such year. Such an election as to any particular year will only be applicable to that year and, absent a similar agreement for any later year, this Paragraph 6.b. shall not apply to such later year.

(ix) During the Employment Period, the Employee shall be paid an annual bonus for each fiscal year of the Company based on an $380,000 target bonus, with a pay-out varying between 0% and 150% of the target bonus. The percentage pay-out shall be determined by the degree to which pre-established performance goals based on the Company's budgeted operating cash flow and improvements thereto are attained.

c. Other Benefits.

(i) After the consummation of the Offer pursuant to the Merger Agreement and throughout the rest of the Employment Period, ITT will recommend to the committee administering the 1994 ITT Corporation Incentive Stock Plan (the "ITT Plan") that the Employee shall receive an annual grant of a stock option for 20,000 shares of common stock ($1 par value) of ITT pursuant to the ITT Plan. The first such grant shall be made as of the day immediately following such consummation. The options shall have an exercise price per ITT share equal to the fair market value of an ITT share on the date of grant. The options shall become exercisable as to two-thirds (2/3's) of the underlying ITT shares when the trading price of an ITT share equals or exceeds a dollar amount which is twenty-five percent (25%) over the exercise price per ITT share for ten consecutive trading days and shall become fully exercisable at the earlier of (x) the date when the trading price of an ITT share equals or exceeds a dollar amount which is forty percent (40%) over the exercise price per ITT share for ten consecutive trading days or (y) the earlier of the fifth (5th) anniversary of the date of grant or the "Wrongful Termination" of the Employee's employment, as defined in this Agreement. The term of the options shall be nine years.

If the Employee voluntarily terminates his employment hereunder within the first year after the effective date hereof, he shall have 30 days after such termination to exercise his options which are exercisable at the time of such termination and his options which are unexercisable at the time of such termination shall be forfeited. After such first year of employment hereunder, if the Employee is eligible to receive immediate retirement benefits under either an Executive Security Plan of the Company or an ITT pension plan, any termination of employment (except a termination for "cause" as defined in this Agreement) shall be treated as a retirement under the ITT Plan which entitles him, whether or not his options are exercisable on the date of such termination, to exercise all of his options within five years of such termination (or within their original term, whichever is shorter) and such options shall continue to vest after such termination in accordance with their terms. After such first year of employment hereunder, if the Employee's employment is terminated for "cause" as defined in this Agreement, he shall have 30 days after such termination to exercise his options which are exercisable at the time of such termination and his options which are

unexercisable at the time of such termination shall be forfeited.

(ii) The Employee shall, to the extent deemed appropriate by the Board (or any applicable committee of the Board), participate at a level consistent with his rank in profit sharing, stock appreciation right, stock bonus, stock option, deferred compensation, and other similar benefits which are made available to executives employed by the Company during the Employment Period. Also, during the Employment Period, Employee shall continue to participate in all fringe benefits and perquisites now furnished Employee and (subject to the terms of any such plan) in the Executive Security Plan and Individual Retirement Plan, and shall participate consistent with his rank in any retirement plan or other fringe benefits or perquisites hereafter adopted by the Company and made applicable to its officers. Further, during the Employment Period, the Company will provide, at its expense, life, business travel, disability, medical, dental and hospitalization insurance for the Employee and his dependents in amounts and on terms as favorable as those provided for any other officer of the Company.

d. Retirement Benefits.

(i) Supplemental Retirement.

In addition to any retirement benefits which the Company shall provide to Employee under the terms of any retirement plan currently existing or which the Company shall adopt during the Employment Period, the Company shall pay Employee (or Employee's beneficiaries) an annual retirement benefit equal to the product of (A) two percent (2%) times the number of years of Continuous Employment (as defined in the Executive Security Plan of the Company as of the date hereof) after July 31, 1985 (but not more than the aggregate of sixty percent (60%)) and (B) the average Incentive Compensation accruing to Employee for all years of Continuous Employment beginning after July 31, 1985 (i.e., beginning with the Incentive Compensation paid for the fiscal year ended July 31, 1986). Payment of the annual retirement benefit under this Paragraph 6.d.(i) shall commence on the first day of the first month following Employee's sixty-fifth birthday or upon Employee's retirement from employment with the Company, whichever shall occur later. The annual retirement benefit shall be payable in monthly installments for the life of Employee but not less than ten (10) years in any event; and if Employee shall die before the expira-

tion of such ten (10) year period, the remaining payments shall be paid to the Beneficiary of Employee as designated under the Executive Security Plan of the Company. If Incentive Compensation for any given fiscal year is taken into account in computing retirement benefits for Employee under any retirement plan of the Company (other than pursuant to this Paragraph 6.d.(i)), the amount of the accrual under this Paragraph 6.d.(i) shall be reduced on the basis of actuarial equivalence by the benefit given to, or contribution in behalf of, Employee under such other plan based on the Incentive Compensation of Employee for that fiscal year.

(ii) Trust Fund Protection.

At any time (a) that the consolidated shareholder equity of the Company shall be below $150 million, (b) within thirty (30) days preceding the end of the Term or at any time thereafter or (c) at any time within thirty (30) days preceding the date Employee ceases to be the Chief Executive Officer and Chairman of the Board of Directors of the Company or at any time thereafter, Employee by notice to the Company may require that the Company establish a trust account with a bank or financial institution (the "Trustee") mutually acceptable to Employee and the Company and that the Company deposit

in such account an amount necessary to pay all retirement benefits of Employee and Employee's beneficiaries provided under this Agreement and the Executive Security Plan of the Company (or any other unfunded retirement plan of the Company (or any other unfunded retirement plan hereafter adopted by the Company). The Company shall continue to make additional payments to the Trustee on an annual basis during the Term of this Agreement to the extent required in order to maintain in the account sufficient funds to cover the anticipated benefits to Employee and Employee's beneficiaries. Under the terms of the trust agreement, the trust fund and the required retirement benefit payments to Employee and his beneficiaries in behalf of the Company shall be subject to the claims of the Company's creditors. To the extent that the trust fund is insufficient to make the full payment that Employee or Employee's beneficiaries are entitled to under this Agreement and any other retirement plan of the Company, the Company shall pay the difference from its general assets. Any excess funds remaining in the trust fund upon termination of all of the Company's obligations to Employee and any of his beneficiaries under this Paragraph 6.d. and any other retirement plan of the Company in which Employee participates, shall revert to

the Company. To the extent that implementation of this subparagraph will adversely affect the deferral of taxation of Employee with respect to the accrual of retirement benefits on behalf of Employee, this Paragraph 6.d.(ii) shall be deemed void.

(iii) Upon the first to occur of (x) the expiration of the Term or (y) termination of the Term or the Employment Period other than under Paragraph 9.a., and continuing until one year after the death of Employee, the Company will provide Employee and his dependents with medical, dental and hospitalization insurance equivalent to that provided Senior Corporate Officers of the Company or any parent corporation of the Company, provided Employee has at the time of expiration or termination attained the age when Employee would be first eligible for early retirement under the Executive Security Plan assuming all other requirements under such plan were fulfilled at such time. Such insurance shall be provided through the plans of the Company or, if this is not practical, the Company shall directly pay all such expenses on the same basis as if Employee had been included in such plans. To the extent Employee obtains other employment (and Employee shall be under no obligation to do so under this Paragraph 6.d.(iii)), insurance obtained

as a result of such other employment shall be the first line of insurance and insurance provided under this provision shall only be supplementary. Also, to the extent Employee is entitled to insurance under Medicare or its equivalent, the insurance under this provision shall be only supplementary or second line to the extent allowed by law.

e. Withholding.

All compensation shall be subject to normal required withholdings.

7. VACATIONS.

Employee shall accrue vacation time at the rate of one and two thirds (1 2/3) days per month of service during the Employment Period, provided, however, at no time shall more than sixty (60) days be accrued and during any period that the cumulative accrual is at this sixty (60) day level, no additional vacation time shall accrue. At Employee's option, vacation may be taken, either in whole or in part, consecutively or not, in the year that Employee's entitlement to that vacation accrues or, if unused during such year, such vacation time shall be carried over (subject to the sixty (60) day maximum accrual) and may be used in any subsequent year during the Employment Period, provided that no more than sixty

(60) days of vacation may be taken in any calendar year. Upon termination of Employee's employment with the Company for any reason whatsoever, Employee shall be paid his Salary or all unused then accrued vacation at the Salary rate then existing up to the maximum accrual of sixty (60) days.

8. EXPENSES.

The Company will reimburse Employee for all expenses reasonably incurred by Employee in the performance of his duties under this Agreement. Reimbursement shall be made in accordance with the practices and requirements generally applied by the Company in connection with reimbursement of expenses incurred by its employees. It is understood that the Company will pay to Employee an automobile allowance providing the equivalent of availability to Employee of a car of comparable level of quality as presently being operated by Employee under an automobile allowance from the Company. The Company also will pay for the insurance, operating, maintenance and repair of such car (including gasoline and oil) or a car used by Employee in lieu of a furnished car if Employee elects the automobile allowance. The allowance and all payments with respect to the automobile will be grossed-up for tax purposes in accordance with Company practices

as they exist as of the date of this Agreement. Employee may from time to time also incur certain expenses on behalf of the Company or in furtherance of its business for which reimbursement may not be made under Company policy or practices.

9. TERMINATION OF EMPLOYMENT PERIOD AND/OR AGREEMENT.

a. Termination by the Company for Cause.

(i) The Company may at any time, at its election, terminate the Employment Period and the Term prior to the Term's expiration because of the following causes: (A) willful misconduct by the Employee in the performance of his duties under this Agreement or his habitual neglect of such duties, (B) failure of the Employee to obtain or retain any permits, licenses or approvals which shall be required by any state or local authorities where the failure to obtain such license will result in the loss of a material license or franchise held by the Company (or a subsidiary thereof), or (C) a willful breach by the Employee of any of the material terms of this Agreement.

(ii) Any such termination shall be effective only if notice is given to Employee not later than ninety (90) days following the event, transaction, or occurrence giving rise to such right of termination, or

if later, ninety (90) days after the Company first discovers that such event, transaction, or occurrence has taken place. Also, any such termination under (A) through (C) of Paragraph 9.a.(i) may only occur if all of the following are demonstrated by the Company: (x) the failure, breach or action directly materially adversely affects the Company (except in the event of a termination under Paragraph 9.a.(i)(B)), (y) the failure, action or breach by Employee was in bad faith and lacking in a good faith belief that it was in or at least not opposed to the Company's interest (except in the event of a termination under Paragraph 9.a.(i)(B)), and (z) the Company gave notice to cure to Employee and Employee failed to cure within thirty (30) days after notice thereof or, if a cure was not possible within thirty (30) days, failed to take all practical action within such period leading to a cure.

(iii) (A) In the event that the Company elects to terminate the Employment Period and the Term for cause pursuant to the foregoing provisions of this Paragraph 9.a., the termination shall not be effective and the Agreement (including, without limitation, Paragraphs 9.d. and 9.e.) shall continue in full force and effect until the issuance of an arbitration award affirm-

ing the Company action. Without limiting the generality of the foregoing, the Company shall continue to pay Employee's then current Salary and Incentive Compensation as specified in Paragraph 6. of this Agreement and shall continue all other benefits until the issuance of such arbitration award.

(B) Such arbitration shall be held in Los Angeles, California in accordance with the rules of the American Arbitration Association (except as otherwise provided in this Paragraph 9.(iii)(B)) within ninety (90) days following receipt by the Employee of the notice to cure under Paragraph 9.a.(ii) above. Any decision by the arbitrator shall be final and binding on the parties and all successors in interest. Judgment upon an award of the arbitrator may be entered in any court of competent jurisdiction. Employee shall cooperate with the Company in effecting such an accelerated arbitration. The Company shall make available to Employee any and all documents requested by the Employee for purposes of defending such arbitration and allow Employee or Employee's representatives access to any and all Company records and personnel for such purpose. The Company will produce any such records and personnel at the arbitration to the extent requested by Employee. Notwithstanding the

foregoing, the arbitration shall not be commenced until Employee has had a reasonable opportunity to have the matter investigated and his case prepared by any representatives; however, the Employee shall use his best efforts to complete his presentation within the above stipulated ninety (90) day period. The Company will pay all Employee's reasonably incurred legal expenses and other costs in presenting the matter and all costs of the arbitrator.

(C) In the event that the arbitrator shall decide in favor of the Company, Employee shall repay all Salary earned by Employee following the expiration of the 30-day cure period under Paragraph 9.a.(ii)(z) above. As to Incentive Compensation in the event that the arbitration results in a judgment in favor of the Company, for purposes of Paragraph 6.b.(v) of this Agreement, the effective day of termination shall be the date of the expiration of the cure period in Paragraph 9.a.(ii)(z) and to the extent Employee has received any payment of Incentive Compensation pertaining to the Incentive Compensation accruals after such date, Employee shall repay the same to the Company upon demand. Notwithstanding anything in this Paragraph 9.a.(iii), the Company may suspend Employee upon the expiration of the

cure period specified in Paragraph 9.a.(ii)(z) pending the outcome of arbitration; however, as stated above, Employee shall continue to receive Salary, Incentive Compensation, and all benefits during such suspension subject to Employee's obligation to repay Salary and Incentive Compensation in the event the arbitration decision is against Employee as set forth above. Employee shall be allowed to retain benefits in all events.

(iv) In the event that there is a termination of the Employment Period and the Term by the Company under this Paragraph 9.a. and the cause is solely the cause described under Paragraph 9.a.(i)(B) above and not within either Paragraph 9.a.(i)(A) or (C), Employee shall be entitled to severance pay equivalent to one (1) year's Salary payable within five (5) days of the effective date of termination, and to the continuation of all fringe benefits and insurance described in Paragraph 6.c. for a one (1) year period following such termination (which continuation shall not, however, duplicate insurance already provided by Paragraph 6.c. for such period), provided, that the actions of employee leading to the loss of license were in the good faith belief that his actions were for the benefit of and in the best interests of the Company and not in violation of any law and that

such payments are not in violation of law, and, provided further, that Employee used his best efforts to obtain or retain (as the case may be) such license.

b. Disability.

In the event that Employee shall become subject to a Disability (as defined below) during the Employment Period, the Incentive Compensation shall stop accruing and the Salary payable to Employee shall be reduced to fifty percent (50%) of the Salary in effect at the date of the Disability. Such reduced compensation shall continue until the termination of Employee's Disability, the expiration of the Term, or the expiration of thirty (30) months from the inception of the Disability, whichever occurs first. During any such period of Disability, the Company shall also keep in force for the benefit of Employee and Employee's dependents all life, health and medical insurance policies maintained for Employee's benefit under the terms of this Agreement and Employee shall be considered to be employed for purposes of the vesting and accrual of benefits of all other plans and programs of the Company in which Employee is a participant and which vest or accrue benefits over a period of time, except Incentive Compensation. Notwithstanding the foregoing, the Company shall not be required to add Em-

ployee to any new bonus, profit sharing, stock bonus, stock option, deferred compensation, and other similar plans or make any new awards to Employee under this Agreement with respect to such new or presently existing plan during the period of such Disability. All Salary payments pursuant to this Paragraph 9.b. due to Employee under its terms shall be reduced by any disability payments made in accordance with any existing disability program or disability insurance of the Company. For purposes of this Agreement, Employee shall be deemed to have become subject to a Disability (herein "Disability") if, because of ill health or physical or mental disability, Employee shall be unable to perform his duties and responsibility to the extent reasonably necessary for Employee to give the Company substantially the value of his services for a consecutive one hundred and eighty (180) day period and upon the completion of such one hundred and eighty (180) day period, either the Company or the Employee shall have given written notice to the other of such party's election that Employee be treated as subject to a Disability. The date of such Disability shall be the third calendar day immediately following transmittal of such written notice of Disability.

If, because of ill health or physical or mental disability, Employee shall be unable to perform his duties and responsibility to the extent reasonably necessary for Employee to give the Company substantially the value of his services for a consecutive sixty (60) days, the Company, in its sole discretion (but in consultation with the Employee to the extent practicable), may appoint temporarily an Acting President and/or Acting Chief Operating Officer; provided, however, that if the Employee becomes able to provide such services again during the Term of this Agreement, he shall replace the Acting President and the Acting Chief Operating Officer and resume acting as President and Chief Operating Officer of the Company.

If, because of ill health or physical or mental disability, Employee shall be unable to perform his duties and responsibility to the extent reasonably necessary for Employee to give the Company substantially the value of his services for a consecutive three-hundred-sixty-five (365) days, if the Employee's personal physician and a physician selected by the Company shall unanimously determine that the Employee will be subject to a Disability for the remainder of the Term (or, if they

shall be unable to agree, they shall mutually agree upon a third physician who shall make a determination as to whether the Employee will be subject to a Disability for the remainder of the Term), then the Company may, in its discretion, remove the Employee from the positions of both President and Chief Operating Officer, and the Employee shall have no right to treat such removal as a "Wrongful Termination".

c. Death.

The Term and the Employment Period will automatically terminate upon the death of the Employee; however, the Company will pay death benefits equal to fifty percent (50%) of Employee's Salary at his death to Employee's surviving spouse for twelve (12) months after Employee's death or so long as the spouse survives Employee, whichever ends first, and there shall be full acceleration of vesting or exercisability upon death of all outstanding unvested stock options and stock awards including, without limitation, those awards under the Key Employee Stock Bonus Plan, the Key Employee Stock Grant Plan, Key Employee Incentive Share Grant Agreement or any similar stock plans or agreements of the Company (whether such awards are made before or after the date of this

Agreement) and delivery to the appropriate person of all stock pursuant to terms of any such plans or agreements.

d. Termination by the Company (without Cause).

(i) Wrongful Termination Described.

A. Wrongful Termination. Notwithstanding the foregoing, if during the Employment Period Employee is not reelected to, or is removed from, the position of either Chairman of the Board or Chief Executive Officer other than for cause as provided in Paragraph 9.a. above, or if the Company otherwise materially breaches this Agreement and fails to complete the cure of such breach within thirty (30) days after notice from Employee, then, at any time within three (3) months after the date upon which Employee is removed from either such position or the breach date, as the case may be, Employee may elect by notice in writing to the Secretary of the Company to treat the situation as a "Wrongful Termination" of Employee's employment by the Company effective one (1) week after the notice and to discontinue his obligations to perform services hereunder. The Employment Period shall end at such effective date.

B. Arbitrated Determination of Company Breach. If Employee believes the Company has materially breached this Agreement, then, in lieu of electing to

notify the Secretary of the Company to treat the situation as Wrongful Termination, Employee may request an arbitra-tion to determine whether the Company has in fact materially breached this Agreement. The arbitration shall be conducted under the rules of Paragraph 9.a.(iii)B. and all provisions of Paragraph 9.a.(iii)B. shall apply, including without limitation the Company's obligation to pay legal and other expenses and costs of Employee and the arbitration costs. Employee shall continue to perform his services for the Company pending the decision of the arbitrator and shall receive all Salary, Incentive Compensation and benefits for such period. If the arbitrator shall decide for Employee, Employee shall have two (2) months after such decision to elect by written notice to the Company to treat the breach as a Wrongful Termination under this Paragraph 9.d. as provided in 9.d.(i) above. The arbitration requested by Employee shall be binding on both Employee and the Company as to the matters submitted to arbitration.

(ii) Employee's Obligations after Wrongful Termination. In the event of a Wrongful Termination, Employees' obligations under Paragraph 2 shall cease as of the date notice of such termination is given; provided, however, that all payments and benefits provided to

Employee hereunder because of a Wrongful Termination shall be upon the condition of, and partly in consider-ation for, Employee's continued compliance with any covenants in this Agreement which by their terms apply during the Term of thereafter.

(iii) Payments and Benefits to Employee after a Wrongful Termination. In the event of a Wrongful Termination upon or after a Change in Control, certain additional payments and benefits to Employee are provided under Paragraph 9.e.(iii). In the event of any Wrongful Termination, the Company shall pay the Employee (i) within five (5) days of the date notice of such termination is given, any amounts which have become payable under other provisions of this Agreement or other obligations of the Company to Employee which have accrued but have not yet been paid, including without limitation Salary earned prior to the date the notice is given and compensation for unused vacation, and (ii) in accordance with the other provisions of this Agreement, all entitlements of Employee, including without limitation entitlements under Paragraphs 6.b.(v), 6.d., 13, and 14. Accrued Incentive Compensation shall be paid in accordance with the provisions of this Agreement or the Corporate Executive Incentive Plan (or its successor), which-

ever is applicable. The Company shall also be obligated as follows:

A. Within five (5) days following the date notice of such termination is given, the Company shall pay the Employee an amount equal to the present value of the sum of (x) all Salary then unearned for the balance of the Term (without consideration of cost of living increases) plus (y) the present value of an amount determined by multiplying the number of years and fractional years to the nearest month then remaining in the Term times the amount of Incentive Compensation earned by Employee for the last full fiscal year of the Company preceding the date of termination. In making this present value calculation the projected Incentive Compensation shall be assumed to be earned pro rata over the remaining Term. For this purpose, the rate used for the determination of the present value shall be the average of the five (5) year treasury note rates effective at the end of each of the six (6) calendar months immediately preceding the month in which the termination of employment occurs. If Employee agrees to take a ten percent (10%) reduction in the amount otherwise payable under this Paragraph 9.d.(iii)A. for the present value of Salary and Incentive Compensation with respect to the remaining Term, Employee

shall have not duty to mitigate damages following a Wrongful Termination by the Company, and the Company shall not be entitled to any reduction of its obligations under this Agreement or repayment from Employee by virtue of any subsequent employment of Employee except as set forth below in Paragraph 9.d.(iii)C. below.

B. During the remaining Term, the Company shall keep in force for the benefit of Employee and Employee's dependents all life insurance policies maintained for Employee's benefit under the terms of this Agreement and fulfill its automobile obligations under Paragraph 8. During such period the Company shall not be required to add Employee to any new profit sharing, stock bonus, stock option, bonus, deferred compensation and other similar plans or make any awards to Employee under this Agreement with respect to new or old plans of such nature. In the event of a Wrongful Termination, all existing stock options and any awards under the Key Employee Stock Grant Plan, Key Employee Incentive Share Grant Agreement or any similar stock plans or agreements of the Company (whether made before or after this Agreement) not otherwise exercisable or vested under its terms shall be immediately exercisable or vested in full upon such termination (i.e., upon the giving of the Employee's

notice of termination specified in Paragraph 9.d.(i)A. or B. above) and shall thereafter be exercisable or vested in full pursuant to the terms of such stock option or other awards.

C. Notwithstanding Paragraph 9.d.(iii)B., any life insurance afforded Employee under this Agreement shall be only supplementary or secondary to any such protection provided by other employment or through Medicare.

e. Employee's Additional Election and Rights after a Change in Control.

(i) Employee's Right to Elect Termination after a Change in Control.

A. Permitted Period for Elective Termination. In the event of a Change in Control, Employee shall have the right to elect to terminate the Employment Period (and his obligation to render services under this Agreement) by notice in writing to the Secretary of the Company within twelve (12) months after the Change in Control.

B. Payments and Benefits to Employee after Elective Termination. If the Employee elects termination under Paragraph 9.e.(i)A., the Company (i) shall pay Employee, upon receipt of such notice of termi-

nation, any amounts which have become payable under other provisions of this Agreement or other unpaid obligations of the Company which have then accrued, but have not yet been paid, including without limitation Salary and Incentive Compensation earned prior to the date notice is given and compensation for unused vacation, and (ii) shall provide, in accordance with the other provisions of this Agreement, all entitlements of Employee, including without limitation entitlements of Employee under the provisions of Paragraph 6.b.(v), 6.d., 13, and 14. The Company shall also pay to the Employee (or there shall automatically be paid or delivered in the case of Paragraph 9.e.(i)(B)(y) below):

(w) benefits described in the first sentence of Paragraph 9.d.(iii)B. to be provided for the greater of period (A) or (B) described in Paragraph 9.e.(i)B.(x), in accordance with the provisions of Paragraphs 9.d.(iii)B. and C. as if the termination were a Wrongful Termination,

(x) upon the effective date of termination of Employee's employment, as severance pay, a lump sum amount equal to the present value of the aggregate of the remaining amount of Salary and Incentive Compensation provided with respect to the greater of (A) the remaining

Term (as if he had continued to render services for the duration of the Term, but without consideration of cost of living increases) or (B) two (2) years, calculated (in the case of either (A) or (B)) in accordance with Paragraph 9.d.(iii)A. above, including (if Employee agrees) the reduction by 10% in lieu of mitigation,

(y) except as otherwise specified herein, full acceleration of vesting or exercisability upon notice of termination of all outstanding unvested stock options and stock awards including, without limitation, those awards under the Key Employee Stock Bonus Plan, the Key Employee Stock Grant Plan, Key Employee Incentive Share Grant Agreement or any similar stock plans or agreements of the Company (whether such awards are made before or after the date of this Agreement) and delivery to Employee of all stock pursuant to terms of any such plans, and

(z) notwithstanding any other provision hereof, within five (5) days following the date notice of such termination is given, in lieu of any benefits payable under the Company's Executive Security Plan ("ESP"), a lump sum equal to the Termination Benefit as defined in the ESP and computed in accordance with the ESP provisions with the following assumptions: (i) as if the ESP had no forfeiture provisions provided in Section 5.3

thereof, and (ii) as if the Employee had continued to be employed by the Company for the greater of period (A) or (B) described above in Paragraph 9.e.(i)B.(x); provided, however, that, if any part (or all) of such lump sum shall not be paid, either pursuant to the "Contingent Severance Agreement" (the agreement by that name between Employee and the Company, dated as of the same date hereof as amended from time to time) or pursuant to this Agreement (whether as the result of the application of Paragraph 9.e.(i)C. or otherwise), the Employee shall remain entitled to whatever benefits (if any) the ESP, by its own terms, grants the Employee and the Employee shall be paid such benefits in accordance therewith after reduction for any amount paid pursuant to the Contingent Severance Agreement or this Paragraph 9.e.(i)B.(z).

C. Contingent Limitation on Amounts. (w) Notwithstanding any other
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provisions of this Agreement or any other agreement, plan or arrangement, in the event that any payment or benefit received or to be received by Employee (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, or any other plan, arrangement or agreement with the Company, or any other plan, arrangement or agreement with any person whose actions result in a Change in

Control or any person affiliated with the Company or such person) (all such payments and benefits being hereinafter called "Total Payments") would not be deductible (in whole or in part) as a result of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), by the Company, an affiliate or other person making such payment or providing such benefit, then the portion of the Total Payments payable pursuant to this Agreement shall be reduced to the extent necessary so that no portion of the Total Payments is subject to the parachute excise tax (the "Excise Tax") imposed by Section 4999 of the Code (after taking into account any reduction in the Total Payments provided by reason of Section 280G of the Code in any other plan, arrangement or agreement) if (A) the net amount of such Total Payments, as so reduced (and after deduction of the net amount of Federal, state of local income tax on such reduced Total Payments) is greater than (B) the excess of (i) the net amount of such Total Payments, without reduction (but after deduction of the net amount of Federal, state and local income tax on such Total Payments), over (ii) the amount of Excise Tax to which the Employee would be subject in respect of such Total Payments. Any reduction of the Total Payments

shall be made in one of the two alternative orders set forth in Paragraph 9.e.(i)C.(x) hereof.

(x) If the Total Payments all become payable at approximately the same time, (i) the benefits under Paragraph 9.e.(i)B.(w) (or under the first sentence of Paragraph 9.d.(iii)B., if applicable) shall first be reduced (if necessary, to zero), (ii) the payment pursuant to Paragraph 9.e.(i)B.(z) (or pursuant to Paragraph 9.e.(iii)(x), if applicable) shall next be reduced (if necessary to zero), (iii) acceleration of vesting of awards under stock options, the Key Employee Stock Bonus Plan, Key Employee Stock Grant Plan, Key Employee Incentive Share Agreement or any similar stock plan or agreement of the Company and severance pay under Paragraph 9.e.(i)B.(x) (or payments under Paragraph 9.d.(iii)A., if applicable) shall next be reduced (if necessary to zero), and (iv) other portions of the Total Payments shall be reduced as necessary. If the Total Payments do not become due and payable at the same time, the respective Total Payments shall be paid in full in the order in which they become payable until any portion thereof would not be deductible, and such portion (and any subsequent portions) of the Total Payments shall be reduced to zero.

(y) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Employee shall have effectively waived in writing prior to the date of termination shall be taken into account; (ii) no portion of the Total Payments shall be taken into account which in the opinion of tax counsel selected by the Company's independent auditors and acceptable to the Employee does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code, including by reason of Section 280G(b)(4)(A) of the Code; (iii) in calculating the Excise Tax, the payments in Paragraphs 9.e.(ii)B.(w) through (z) (or Paragraph 9.d.(iii)A. through B. and Paragraph 9.e.(iii)(x), if applicable) shall be reduced only to the extent necessary so that the Total Payments (other than those referred to in clauses 9.e.(i)(C)(y)(i) or (ii)) in their entirety constitute reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code or are otherwise not subject to disallowance as deductions because of Section 280G of the Code, in the opinion of tax counsel referred to in clause 9.e.(i)(C)(y)(ii); and (iv) the value of any non-cash benefit or any deferred

payment or benefit included in the Total Payments shall be determined by the Company's independent auditors in accordance with the principles of Section 280G(d)(3) and (4) of the Code. Prior to the earliest payment date set forth in Paragraph 9.e.(i)B. (or Paragraph 9.d.(iii) and 9.e.(iii), as applicable), the Company shall provide the Employee with its calculation of the amounts referred to in this Paragraph 9.e.(i)C and such supporting materials as are reasonably necessary for the Employee to evaluate the Company's calculations. If the Employee objects to the Company's calculations, the Company shall (on or prior to the applicable payment date) pay to the Employee such portion of the amounts payable pursuant to this Agreement (up to one hundred percent (100%) thereof) as the Employee determines is necessary to result in the Employee's receiving the greater of the amounts in clauses (A) and (B) of Paragraph 9.e.(i)C(w).

D. Employee's Obligations after Elective Termination. If Employee elects to terminate his obligations to render services under this Agreement pursuant to Paragraph 9.e.(i)A., his obligations under Paragraph 2 shall cease as of the date notice of such termination is given. Employee agrees that all payments made because of such elective termination shall be upon

the condition of, and partly in consideration for, his continued compliance with any covenants under Paragraph 11 of this Agreement which by their terms apply during the Term or thereafter.

(i) Agreement in Full Effect after a Change in Control. Upon and after a Change in Control, until and unless Employee makes a written election pursuant to Paragraph 9.e.(i)A., this Agreement shall continue in full force and effect, in accordance with all the provisions hereof.

(ii) Additional Payments and Provisions after Wrongful Termination upon or after a Change in Control. In the event of a Wrongful Termination upon or after a Change in Control (or upon or after the occurrence of any other event which constitutes a change in ownership or effective control of the Company or in the ownership of its assets, or which would be deemed to be such a change under Section 280G of the Internal Revenue Code of 1986, as amended, or the regulations or other legal authority developed thereunder), the Company shall provide Employee with the payments and benefits required by Paragraph 9.d.(iii) and the following shall apply:

(x) notwithstanding any other provisions hereof, in lieu of any benefits payable under the

Company's Executive Security Plan ("ESP"), the Company shall pay, within five 95) days following the date notice of such termination is given, a lump sum equivalent to the Termination Benefit as defined in the ESP and computed in accordance with the ESP provisions with the following assumptions: (i) as if the ESP had no forfeiture provisions provided in Section 5.3 thereof, and (ii) as if the Employee had continued to be employed by the Company for the Term; provided, however, that, if any part (or all) of such lump sum shall not be paid, either pursuant to the Contingent Severance Agreement or pursuant to this Agreement, the Employee shall remain entitled to whatever benefits (if any) the ESP grants the Employee (such benefits to be reduced by any amount paid pursuant to the Contingent Severance Agreement or this Paragraph 9.e.(iii)(x)) and the Employee shall be paid such benefits in accordance therewith; and

(y) Section 5.3 of the ESP shall be void as to Employee.

(iv) Offset of Certain Amounts. Notwithstanding the provisions of
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Paragraphs 9.d. and 9.e., any payments or benefits to Employee pursuant to Paragraph 9.d.(iii)A.-C., 9.e.(i)B.(w)-(z) or 9.e.(iii)(x)-(z), shall be reduced by any amounts the Company may have

previously paid Employee for the same items pursuant to Section 6(A) of the Contingent Severance Agreement.

10. RESTRICTION OF COMPETITION.

During the Term the Employee will not, as an officer, director, employee, or consultant, work for, or participate in, the activities of any firm or person which is engaged (a) in the operation of a casino in the continental United States, or (b) in any other line of business which is the same, or substantially the same, as a line of business from which the Company and its subsidiaries at the time, and at such, if any, earlier time as this Agreement is terminated, derive at least twenty-five percent (25%) of their consolidated revenue, and which is engaged in significant competition with the Company or any of its subsidiaries. For the purpose of this Paragraph 10, the term "line of business" shall mean a group of products or services treated as a line of business by the Company in its most recent annual report (or most nearly similar report) filed with the Securities and Exchange Commission. Employee's fulfillment of obligations under this provision are a condition to the Company's obligations under Paragraph 9. The Company, in its sole discretion, may waive this Paragraph 10 to expand the class of companies with which Employee could

mitigate damages under Paragraph 9 above. Employee's obligations under this Paragraph 10 shall terminate immediately upon any Wrongful Termination of Employee by the Company or upon a Change in Control.

11. CONFIDENTIAL INFORMATION.

The Employee will not, during or after the Term, disclose to any firm or person any information, including, but not limited to, information about customers or about the design, manufacture or marketing of products or services, which is treated as confidential by the Company and to which the Employee gains access by reason of his position as an employee of the Company.

12. RIGHT TO INJUNCTIVE RELIEF.

The Employee acknowledges that the Company will suffer irreparable injury, not readily susceptible of valuation in monetary damages, if the Employee breaches any of his obligations under Paragraph 10 and 11 above. Accordingly, the Employee agrees that the Company shall be entitled, in addition to, and not in lieu of any other available remedies, to seek and obtain injunctive relief against any breach or prospective breach by the Employee of the Employee's obligations under Paragraphs 10 and 11 in any Federal or state court sitting in Los Angeles County in the State of California or, at the Company's

election, in Clark County of the State of Nevada or in such other state as may be the state in which the Employee maintains his principal residence or his principal place of business. The Employee hereby submits to the jurisdiction of all those courts for the purposes of any actions or proceedings instituted by the Company to obtain such injunctive relief, and agrees that process may be served by registered mail, addressed to the last address of the Employee known to the Company, or in any other manner authorized by law.

13. LIABILITY INSURANCE.

a. Insurance

Subject only to the provisions of Paragraph 13.b. below, the Company hereby agrees that, so long as Employee shall continue to serve as a director, officer, employee or consultant of the Company (or shall continue at the request of the Company to serve as a director, officer, employee, partner, consultant, or agent of another corporation, partnership, joint venture, trust or other enterprise) and thereafter so long as Employee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal or investigative by reason of the fact that Employee was a director, officer, or employee, of

the Company (or served in any of said other capacities), the Company will purchase and maintain in effect for the benefit of Employee one or more valid, binding and enforceable policy or policies of directors and officers insurance providing, in all respects, coverage at least comparable to that presently provided pursuant to the directors and officers insurance presently available to the Company ("the Insurance Policies").

b. Limitation On Company Obligation

The Company shall not be required to maintain the Insurance Policies in effect if said insurance is not reasonably available or if, in the reasonable business judgment of the then Board either (i) the premium cost for such insurance is substantially disproportionate to the amount of coverage or (ii) the coverage provided by such insurance is so limited by exclusions that there is insufficient benefit from such insurance.

14. INDEMNITY.

a. Subject only to the exclusions set forth in Paragraph 14.b. below, and in addition to any rights of Employee under the By-laws of the Company, any applicable state law, Paragraph 13 of this Agreement, or any other agreement, the Company hereby further agrees to hold harmless and indemnify Employees:

(i) Against any and all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by Employee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including an action by or in the right of the Company) to which Employee is, was or at any time becomes a party, or is threatened to be made a party, by reason of the fact that Employee is, was or at any time becomes a director, officer, employee, consultant, or agent of Company, or is or was serving or at any times serves at the request of the Company, as a director, officer, employee, consultant, partner, trustee or agent (regardless of his title) of another corporation, partnership, joint venture, trust or other enterprise; and

(ii) Otherwise to the fullest extent as may be provided to Employee by the Company under the non-exclusivity provisions of the By-laws of the Company and the Florida Business Corporations Act, and

(iii) From any and all income and excise taxes (and interest and penalties relating thereto) imposed on Employee with reference to any payment under

this Paragraph 14 (including without limitation payments in indemnity for such taxes).

b. No indemnity pursuant to this Paragraph 14 shall be paid for such taxes).

(i) except to the extent the aggregate of losses to be indemnified thereunder exceed the sum of $500 plus the amount of such losses for which the Employee is indemnified either pursuant to the By-laws of the Company or any subsidiary, pursuant to any Directors and Officers insurance purchased and maintained by the Company pursuant to Paragraph 13 above;

(ii) in respect to remuneration paid to Employee if it shall be determined by a final judgment or other final adjudication that such remuneration was in violation of law;

(iii) on account of any suit in which judgment is rendered against Employee for an accounting of profits made by the purchase or sale by Employee of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law;

(iv) on account of actions or omissions which are finally adjudicated to have been material to

the cause of action adjudicated and to fall within any of paragraphs (a) through (d) of the last sentence of Sec-tion 607.0850 of the Florida Business Corporations Act; or

(v) if a final decision by a Court having jurisdiction in the matter shall determine that such indemnification to Employee is not lawful.

c. All agreements and obligations of the Company contained herein shall continue during the period Employee is a director, officer, employee, consultant or agent of the Company (or is or was serving at the request of the Company as a director, officer, employee, partner, consultant or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue thereafter so long as Employee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal or investigative, by reason of the fact that Employee was an officer or director of the Company or serving in any other capacity referred to herein.

d. The Company shall not be liable to indemnify Employee under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent. The Company shall not settle any action

or claim in any manner which would impose any penalty or limitation on Employee without Employee's written con sent. Neither the Company or Employee will unreasonably withhold consent to any proposed settlement.

e. The Company will pay all expenses immediately upon the presentment of bills for such expenses. Employee agrees that Employee will reimburse the Company for all reasonable expenses paid by the Company in defending any civil or criminal action, suit or proceeding against Employee in the event and only to the extent that it shall be ultimately determined that Employee is not entitled to be indemnified by the Company for such expenses under the provisions of the applicable state statute, the By-laws, this Agreement or otherwise. This Agreement shall not affect any rights of Employee against the Company, any insurer, or any other person to seek indemnification or contribution.

f. If the Company fails to pay any expenses (including, without limiting the generality of the foregoing, legal fees and expenses incurred in defending any action, suit or proceeding), Employee shall be entitled to institute suit against the Company to compel such payment and the Company shall pay Employee all costs and

legal fees incurred in enforcing such right to prompt payment.

g. To the extent allowable under Florida law, the burden of proof with respect to any proceeding or determination with respect to Employee's entitlement to indemnification under this Agreement shall be on the Company.

h. Neither the failure of the Company, its Board of Directors, independent legal counsel, nor its stockholders to have made a determination that indemnification of the Employee is proper in the circumstances because he has met the applicable standard of conduct set forth in the Florida Business Corporations Act, nor an actual determination by the Company, its Board of Directors, independent legal counsel, or its shareholders that the Employee has not met such applicable standard of conduct, shall be a defense to any action on the part of Employee to recover indemnification under this Agreement to create a presumption that Employee has not met the applicable standard of conduct.

15. CHANGE IN CONTROL.

a. Change in Control. For purposes of this Agreement, "Change in Control" shall mean a change in control of the Company, which shall be deemed to have

occurred upon the first fulfillment of the conditions set forth in any one of the following four paragraphs:

(i) any Person, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing twenty-five percent (25%) or more of the combined voting power of the Company's then outstanding securities; or

(ii) during any period of two consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a Person who has entered into an agreement with the Company to effect a transaction described in Paragraph 15.a.(i) or 15.a.(iii) hereof) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was

previously so approved, cease for any reason to constitute a majority thereof; or

(iii) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation; other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all of substantially all the Company's assets; or

(iv) any Person shall be or has become the Beneficial Owner of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities and (i) the identity of the Chief Executive officer of the Company is changed during the period beginning sixty (60) days before the attainment of the twenty percent (20%) beneficial ownership and ending two (2) years thereafter, or (ii) individuals constituting at least

one-third (1/3) of the members of the Board at the beginning of such period shall leave the Board during the period beginning sixty (60) days before the attainment of the twenty percent (20%) beneficial ownership and ending two (2) years thereafter.

b. Definitions. The meanings of certain capitalized terms used in Paragraph 15.a. are provided below:

(i) "Beneficial Owner" shall have the meaning defined in Rules 13d-3 and 13d-5(b) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act").

(ii) "Person" shall have the same meanings as it does in section 3(a)(9) (including the definition of "Company" under section 3(a)(19)) including a group and any other arrangement included as a "Person under section 13(d)(3) of the Exchange Act, provided, a person shall not include an underwriter temporarily holding securities pursuant to an offering of such securities.

16. MISCELLANEOUS.

a. Employee Representations. The Employee represents and warrants to the Company that there is no restriction or limitation, by reason of any agreement or

otherwise, upon the Employee's right or ability to enter into this Agreement and fulfill his obligations under this Agreement.

b. Terminated 1991 Agreement. Employee's agreement with the Company dated August 1, 1991, and subsequently amended on August 1, 1992 and October 4, 1994, shall be terminated upon the effective date of this Agreement.

c. Interest on Amounts Due. In the event any amount due either Employee or the Company under this Agreement is not paid when due, it shall thereafter bear interest at the rate equivalent to the Security Pacific National Bank, Los Angeles (or its successor), prime rate as it shall vary from time to time over the period until paid. Such interest shall be compounded on a monthly basis.

d. Amendment. This Agreement shall not be changed or terminated except in writing.

e. Law. This Agreement shall be governed by, and construed under, the laws of the State of California except for Paragraphs 13 and 14 which will be governed by Florida law and Paragraph 10 which shall be governed by the law of the state in which a business of the Company is located with respect to which a claim of competition

is made (e.g., if Employee worked for a casino in Las Vegas, Nevada law would govern any adjudication).

f. Successors, Assigns. The terms and provisions of this Agreement shall inure to the benefit of the personal representatives, heirs and legatees of the Employee and shall be binding upon and inure to the benefit of any successors or assigns of the Company . This Agreement shall survive any merger or voluntary or involuntary dissolution and shall bind any person acquiring the Company's assets in such event.

g. Notices. Any notices or other communications required or permitted to be given under this Agreement shall be deemed given on the day when delivered in person, or the third business day after the day on which mailed by first class mail from within the United States of America addressed to the party receiving the communication at the principal office of the Company or such other address as the party receiving the communication shall have designated to the other in writing.

h. Consents and Approvals. As to any paragraph of this Agreement providing for the consent or approval of any party to this Agreement, such provision shall be deemed to include the restriction that any such exercise of approval or consent shall be reasonable and

not unreasonably denied regardless of whether such provision actually sets forth a specification that such an approval or consent shall not be unreasonably denied.

i. Severability. If any provision of this Agreement is found invalid or unenforceable, the remainder of this Agreement shall nevertheless remain in full force and effect. If any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances. If the provision held invalid or substantially limited involves the compensation or benefits of Employee, Employee shall have the option for thirty (30) days following the final decision holding such provision to be invalid to terminate this Agreement by written notice to the Company.

j. Captions. Captions in this Agreement are merely to facilitate references and shall not affect the interpretation of any of the provisions.

17. CHANGE IN CONTROL LIMITATION.

The parties hereto agree that consummation of the transactions contemplated by the Merger Agreement (including, without limitation, the acquisition of shares of the Company's common stock pursuant to the Offer, as defined therein) will constitute a "Change in Control",

as that term is used in this Agreement. The parties further agree that no transaction or event subsequent to the Effective Time, as defined in the Merger Agreement, will constitute a Change in Control for purposes of this Agreement.

18. GUARANTEE BY ITT.

ITT hereby agrees to be bound by all the provisions of this Agreement, including, without limitation, the undertakings in this Agreement directly related to ITT or its common stock, and hereby guarantees the obligations of the Company in this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed at Los Angeles, California.

EMPLOYEE

_____
J. Terrence Lanni

CAESARS WORLD, INC.

By_____

ITT CORPORATION

By_____